

CURRENT *History*

**A MONTHLY MAGAZINE
OF WORLD AFFAIRS**

NOVEMBER 1963

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FOR READING TODAY...FOR REFERENCE TOMORROW

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Coming Next Month

December, 1963

WEST AFRICA

Our December issue is devoted to a study of the nations of Western Africa, their progress and stability. Seven specialists will discuss the following:

Nigeria

by ARNOLD RIVKIN, Economic Adviser to the Africa Department of the International Bank for Reconstruction and Development, and author of "The African Presence in World Affairs";

South-West Africa

by RONALD BALLINGER, Department of History, University of the Witwatersrand, South Africa:

Ghana

by LIONEL TIGER, Department of Anthropology and Sociology, University of British Columbia, Vancouver;

Guinea

by DAVID HAPGOOD, formerly on the staff of *The New York Times* and recently returned from 2 years in Africa;

Congo Republic

by HARRY RUDIN, Professor of History, Yale University, and author of "Germany in the Cameroons, 1884-1914";

States of French West Africa

by ARISTIDE R. ZOLBERG, Assistant Professor of Political Science, University of Chicago, and author of *One-Party Government in the Ivory Coast*;

Angola

by KEITH IRVINE, former editor of "Africa Weekly."

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CURRENT History

NOVEMBER, 1963

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What is the future of the West European Community? In this issue, seven specialists examine the problems and goals of the Atlantic nations. Our introductory article raises the question: "What is Europe?" Within the Common Market membership is stagnant and there are many obstacles to political union. As the author asks, "... if the strains of a growing membership were imposed on E.E.C., would the search for solutions be undertaken with greater energy?"

The European Communities

By HANS A. SCHMITT

Professor of History, Tulane University

WORLD WAR II brought to most of Europe a desolation which the battles of 1914-1918 had wrought only in Eastern France, Poland and European Russia. So vast was the physical and moral damage that an English historian identified 1945 as the end of European history.¹ For the next five years it seemed as if he had prophesied the obvious. But at mid-century, the nations of Western Europe began to revive economically and politically. They adopted new modes of management and production and showed a willingness to experiment with new political concepts and institutions. Whether the results of these efforts will eventually go down in history as the kind of sudden improvement that often precedes a patient's death or whether they will mark a lasting revival remains to be seen. To the contemporary, however, the 1950's in Europe were years of heartening, and perhaps unprecedented achievement.

Between 1939 and 1945, years of enforced idleness gave many Europeans the opportu-

ity to ponder ways of avoiding past errors. When the resistance leaders from France, Italy and the Netherlands met at Geneva in the spring of 1944, the most newsworthy result of this soul-searching was a joint declaration for a federated Europe. But the spark generated no conflagration. With the coming of peace on May 8, 1945, the solidarity of suffering gave way to practical concerns of rebuilding cities, villages and neighborhood blocks. Eating was still an indispensable habit which men in a highly urbanized society could not indulge unless railroads and highways once again functioned normally. Whatever the attractions of a harmonious Europe, hundreds of thousands of men, women and children in concentration camps, prison enclosures and lonely, broken homes wanted to re-unite their families before giving thought to uniting a continent. It would have been folly at this point to overlook the bruised egos of nations, both large and small, who had for years borne the chains of the invader. In short, reconstruction—from the family homestead to the individual nation—became the order of the day.

¹ Geoffrey Barraclough, *History in a Changing World* (Norman, Okla., 1957), pp. 209-220.

A year later, many harassed Europeans had discovered that their economic, social and political reflex actions would not suffice to assure their survival. By the summer of 1947, the economies of France and Britain were closer to collapse than ever; young people from the smaller nations besieged American and Commonwealth consulates for a chance to escape from their hopeless homelands, while starvation still stalked Eastern Europe. From the United States came immediate material help in many forms. But even the most comprehensive legislative commitments, like the European Interim Aid Act of 1947, only confirmed the recipients as hopeless beggar nations.

THE MARSHALL PLAN

How long it would ordinarily have taken to replace the hand-out with the build-up, no one can say. Joseph Stalin's gleeful reactions to this continuing crisis quickly impressed upon Secretary of State George C. Marshall the need for joint planning on both sides of the Atlantic to replace unilateral charity. The Marshall Plan offered to aid all of Europe; and Europe, it was hoped, would federate economically to make the most of this opportunity. Reality fell short of these sweeping goals.

Both the Soviet Union and its satellites were invited to participate. As a former State Department official, close to these events, pointed out recently:

It was explicitly recognized that there would be advantages and disadvantages to Russian participation and advantages and disadvantages to Russia's boycotting a cooperative plan involving non-Communist Europe.²

But on July 2, 1947, the Soviet Union rejected the proffered hand and bade her East European dependencies to act likewise. Thus the Marshall Plan, contrary to the intentions of its originators, began by dividing, instead of unifying Europe.

Nor did the participating nations integrate their national economies. The Organization

for European Economic Cooperation, designed to determine the most efficacious uses of aid, operated on the conventional base of the unanimous consent of its 16 members, thereby splitting the recovery effort into a series of national economic problems. Europe was cleft between East and West, and in the West national interest continued to call the tune. Altiero Spinelli, one of the pioneers of European federalism, commented bitterly:

The money which the Americans thought they were giving to help the Europeans to overcome economic nationalism served only to reconstitute old national economies, instead of creating one market and one European economy.³

It must be added that the traditional ways of O.E.E.C. did more than offend the survivors of the federalist resistance. American capital raised production, irrespective of demand. Nations strove to reach and surpass the output of 1938 without taking note of what their neighbors were accomplishing in identical industrial sectors. Duplication of effort foreshadowed a repetition of the glut and unemployment that had haunted Europe during the Great Depression. Once again the nations of the continent had chosen well-worn routes of failure, and once again the only predictable outcome was certain disaster.

Happily, the spirit of 1944 was not dead. By the time the O.E.E.C.'s own general report of 1950 discerned the specter of a new depression, powerful voices of protest had formulated alternatives. In May of 1948 there convened in The Hague the first great congress of the movements for European union. In this setting, the summary demand for a European Federation was repeated by men like Paul-Henri Spaak, and supported by the benevolent presence of a host of luminaries, including Konrad Adenauer, Alcide de Gasperi, Winston Churchill, and Léon Blum. The backbone of the gathering was not furnished by career-visionaries but by men who counted in the affairs of their nations.

Something was bound to result; the question was: How much? The meeting proposed that the governments of Western Europe agree to the establishment of a European Parliament. These resolutions lost a good

² Joseph M. Jones to writer, December 4, 1961.

³ C. Grove Haines (ed.), *European Integration* (Baltimore, 1957), p. 54.

deal in the process of being translated into action, but led to the founding of the Council of Europe.⁴ On paper this amounted to little: a council of ministers whose recommendations everyone was free to disregard, and an assembly of parliamentarians, appointed by the national governments in a variety of ways, which might debate matters of common concern as long as it did not trespass into the explosive areas of economics and defense.

The Council became the expected non-entity; the Consultative Assembly, however, disregarded the limitations of its statute. Its members debated at length both the inadequacies of O.E.E.C. and the military implications of the Communist threat. This first regular meeting of European legislators in August, 1949, was a new and stimulating departure. No one can prove that its talks affected the course of history, but in the year that followed Western Europe began to move again.

THE SCHUMAN PLAN

While the first session of the Consultative Assembly was discussing a number of plans designed to achieve closer economic union among its members, economists of the French *Commissariat du Plan*, under the direction of Jean Monnet, were preparing an ambitious project designed to integrate the heavy industries of France, Germany, and any other Western European country wishing to join such an endeavor. Among the advocates of European union at Strasbourg had been Robert Schuman, France's perpetual foreign minister of those critical years. On May 3, Monnet presented the finished project of his staff's deliberations to Schuman and Premier Georges Bidault.

Schuman rose to the occasion—Bidault apparently failed to grasp the plan's practical and visionary sweep—and turned the proposal into the most exciting stroke of twentieth

century French diplomacy. After "selling" the idea to the cabinet, a special emissary was dispatched to Bonn so that West Germany would be informed of this initiative before it was announced. Simultaneously, the United States was briefed and signified warm approval. At four o'clock in the afternoon of May 9, Schuman officially called for the pooling of French and German coal mines and steel mills under a "common high authority." He claimed that it would end Franco-German rivalry, integrate two major national economies, and contribute a limited but decisive step toward European union.

The French plan rested on one condition which both Monnet and Schuman defended as holy writ. The new institution would be sovereign and independent from national control. The nations subscribing to the coal and steel pool must surrender those industries to the "common high authority." Germany, Italy, Belgium, Holland and Luxembourg agreed to parley on this basis. (These nations, with France, were known as "the Six," members of Europe's Common Market.) Great Britain refused. Thus on June 20, 1950, the negotiating conference convened at Paris without her.

Since all participants involved were agreed on its purpose, there was little doubt that it would produce results, and much of its efforts were concerned with the resolution of relatively minor details. But as its work began the world scene darkened unexpectedly. A week after the first meeting had been called to order, North Korean troops crossed the Thirty-Eighth Parallel.

Once again, the Consultative Assembly of the Council of Europe picked up the ball. Statutory prohibitions notwithstanding, French Socialist leader Guy Mollet initiated a vigorous debate on military policy. His country recognized that the crisis of the Orient would hasten German rearmament. British representatives joined in the dialogue. Their primary concern was that the Far Eastern war would prompt the United States to withdraw her troops from the continent. With the model of the Schuman Plan to guide him, French Premier René Pleven next drafted an almost identical proposal of mili-

⁴ The original statute was signed by Belgium, Denmark, France, Ireland, Italy, Luxembourg, Netherlands, Norway, Sweden and the United Kingdom, Turkey and Greece later, in 1949, and Iceland in 1950. A year later, the West German Federal Republic became, a full-fledged member, and Austria joined in 1956.

tary integration, and presented it to the North Atlantic Treaty Organization's Defense Committee on October 28, 1950.

THE EUROPEAN DEFENSE COMMUNITY

Pleven's scheme ran into more trouble than the Schuman Plan. Britain refused to transfer her forces to a supra-national European command. The United States feared that the drastic reorganization implicit in a merger of national armies would further delay Western rearmament. Many Germans saw the plan merely as an attempt to bloc their nation's military recovery. Some Social Democrats, in particular, viewed Pleven's device as a gross abuse of the European idea. Support for the plan in France was far from unanimous.

But before the year was out some of this opposition had been converted. Just as the Germans had grasped the supra-nationalism of the Schuman Plan as a means to end allied control and dismemberment of their industries, so they recognized the European army as a means of ending the occupation and recovering their sovereignty. Rearmament in the European context offered the further hope that Germany's second democratic experiment would not again succumb to traditional militarism. Chinese intervention in North Korea forced the United States to reconsider the plan in terms of her own expanding involvements. After France had conceded the interim integration of German combat teams into Nato forces, Washington gave its blessing to the projected European Defense Community.

With 1951 dawned the hope that some European nations at least would soon integrate armies and heavy industries. Negotiations to implement the Pleven Plan opened in February, again with representatives from France, Germany, Italy, Belgium, Holland and Luxembourg around the conference

table. On April 18, 1951, these six nations signed the treaty establishing the European Coal and Steel Community, "printed in Louis XIV type with German ink on Dutch vellum," and "bound in Belgian parchment . . . adorned with a marker of Italian silk."⁵ A year later, in May, 1952, it had been ratified by the national parliaments, while the outlines of a European Defense Community (E.D.C.) emerged in an agreement at Paris. The Coal and Steel Community began to set up house-keeping, to be supplemented soon by the military pact whose ratification was generally taken for granted.

So complete was the certainty of success on all fronts that Chancellor Adenauer urged immediate consideration of the next step: integration of the communities themselves. "The establishment of a six-nation defense community must lead to a unification . . . in the field of foreign policy."⁶ The Common Assembly of the European Coal and Steel Community (E.C.S.C.) had hardly organized when the Council of Ministers was asked to design a Political Community. The basis for this request was Article 38 of the E.D.C. treaty, which proposed such an effort but which had not yet been ratified! The Assembly nevertheless accepted the mandate and produced a draft by March 10, 1953.⁷ Ten years later it is still a draft and the European Political Community appears no closer to realization than it was then.

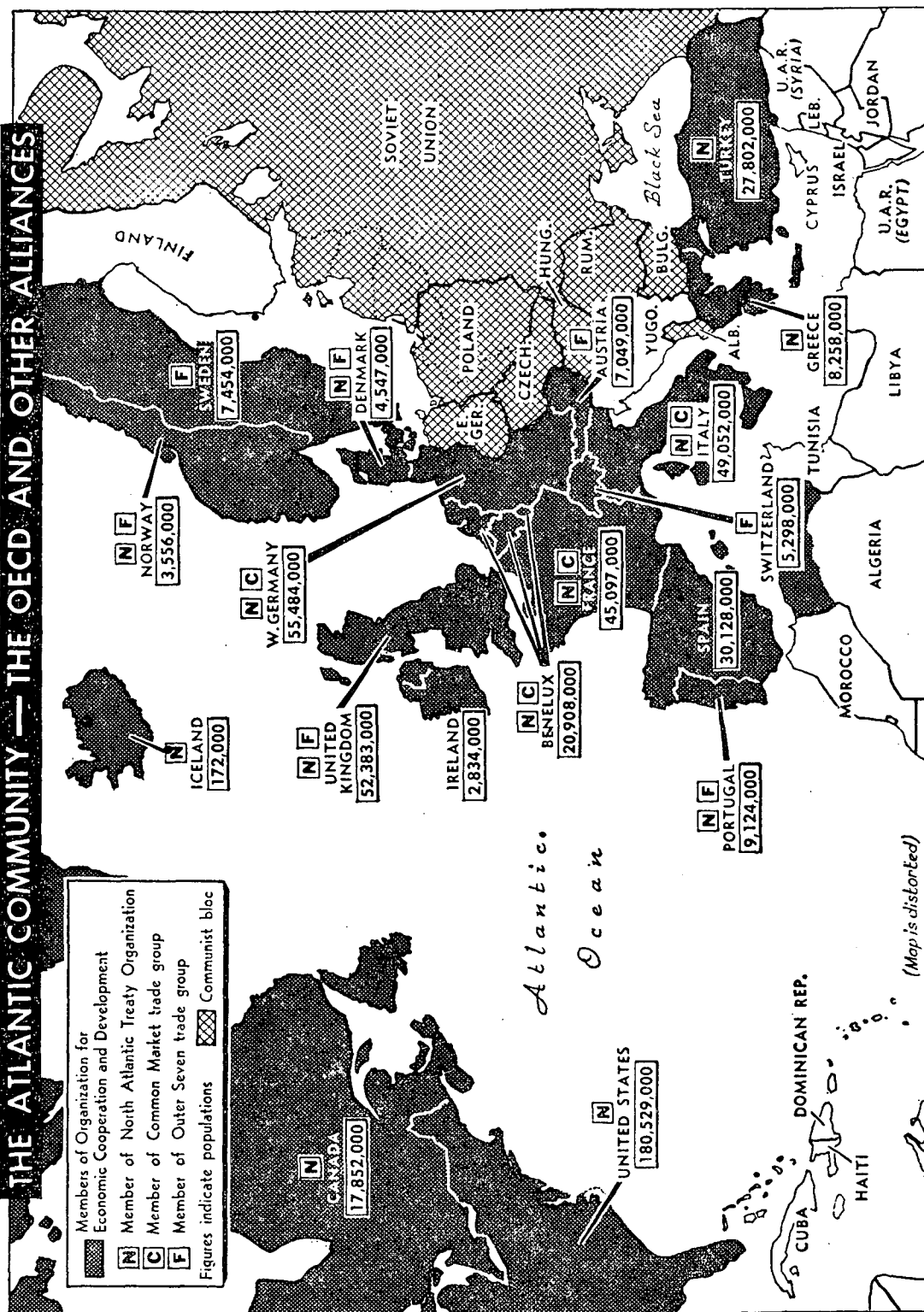
The ministers had wanted to build the roof before the walls had been erected. As of March, 1953, none of the signatories had ratified the E.D.C. pact. In four of the six countries a commitment appeared imminent, but Italy procrastinated, waiting for France, and France's governments just waited, hoping perhaps that time would eventually erode the mounting opposition. A succession of shaky cabinets (Pinay, Mayer, Laniel) refused to risk their existence on a controversial issue. Stalin's death removed the sense of urgency which had propelled Western Europe into a succession of impressive experiments. The argument that the Pleven Plan alone would protect France against German rearmament elicited the obvious rebuttal: if German

⁵ *The Times* (London), April 18, 1951.

⁶ Quoted in Arnold Zurcher, *The Struggle to Unite Europe, 1940-1958* (New York, 1958), p. 96.

⁷ For the official English text, see *Draft Treaty Embodying the Statute of the European Community* (n.l., 1953).

THE ATLANTIC COMMUNITY — THE OECD AND OTHER ALLIANCES



(From The New York Times, April 9, 1961. Used by permission.)

armament was risky, how could the danger be reduced by destroying the freedom of action of the French army? Had Britain joined, the case of the French opposition would have collapsed, but the Eden government refused to reverse British policy.

On the ninth anniversary of VE day (May 8, 1954) France's Asian empire collapsed at Dien Bien Phu. Humiliated in the Far East and facing similar threats in North Africa, the nation was in no mood to surrender her military sovereignty. The commander of Nato ground forces, Marshal Juin, dramatically pronounced against E.D.C. René Pleven, Defense Minister in the Laniel Government, was manhandled in the streets of Paris.

E.D.C. died slowly during the long, hot summer of 1954. On June 9 and 18, respectively, the National Assembly's foreign affairs and national defense committees reported against it. Their action coincided with the investiture of Joseph Laniel's spectacular successor, Pierre Mendès-France. General Pierre Koenig replaced René Pleven as Minister of Defense. Another partisan of the treaty had been replaced by an avowed opponent. Though the new government was chiefly concerned with making the best possible peace in Indo-China, Mendès-France promised action on the European army as well. He attempted to bring together friend and foe of the past to produce a French compromise, but failed. In August he appealed to the other signatories for certain modifications in scope and duration of the treaty, but was turned down. On August 28, debate began in the National Assembly.

Mendès-France refused to commit his government on the outcome. He did not urge the Assembly to ratify, but he presented a candid forecast of the consequences of rejection. The choice he offered was between a European army or German national contingents arranged with Anglo-American support. No amount of scorn and vitriol from disappointed Europeans induced him to go

farther. On August 30, the last word was spoken by that paragon of inconsistent opportunism, Edouard Herriot. The aged Radical leader, who had championed a United States of Europe in 1930, now called the supranational idea "monstrous and ridiculous." "For me, for us, the European community spells the end of France," he cried.⁸ The E.D.C. treaty itself never even came to a vote.

DEATH OF THE E.D.C.

The breathless progress towards union of the Six had been summarily halted. Perhaps this was as it should be. Painstaking work by trained men had fashioned the Schuman Plan. The Pleven Plan in contrast appeared to be little more than the passing thought of an ambitious imitator. A study of the treaty fails to prove that its army would have been a workable force in nuclear or conventional war. Even less of a case can be made for the still-born European Political Community. It is hard to understand why such a treaty was drafted before its legal basis existed.

The fact that this disaster could have been avoided, if each integrative step had been planned with care and launched with intelligence, cannot alter the fact that it came as a blow to many. These people were not satisfied when E.D.C. was salvaged by the Western European Union (W.E.U.), which subjected the renascent German rearmament to some degree of international control and committed anew the Anglo-American powers to their watch of the continent. New international organizations might well be appropriate palliatives where more ambitious schemes failed, but they were no substitute for a community.

In May, 1955, only weeks after the W.E.U. agreements had gone into effect, Dutch, Belgian and Luxembourg diplomats pressed the foreign ministers of the Six, meeting at Messina, for an effort to resume the European quest. Paul Henri-Spaak of Belgium, Jean Monnet and Franz Etzel of the E.C.S.C. High Authority, aided and abetted by a high ranking civil servant in the German Ministry of Economics, secured the adoption of a document which charted the new course. The memorandum called for a "common Euro-

⁸ France. *Journal Officiel, Débats Parlementaires, Assemblée Nationale, Séance du 30 août, 1954*, p. 4465.

pean market, free from all customs duties and all quantitative restrictions," and a common organization to develop nuclear energy for peaceful purposes.

As a first step, the ministers created an intergovernmental commission under Spaak's chairmanship and delegated to it the task of "drafting the relevant treaties."⁹ In May of 1956, this work received provisional approval by the same ministers meeting in Venice, and the wheels of progress began to turn once more. Their rate of revolution was accelerated by the Suez war and the Hungarian rebellion. The former complemented Europe's chronic coal shortages with an oil crisis of staggering proportions. The Mediterranean crisis, furthermore, was calmed by the United States and the U.S.S.R.; the Hungarian challenge was strangled by the latter alone. The impotence of Europe, as it was, could not have been more painfully demonstrated.

A COMMON MARKET

Following the Venice meeting, therefore, negotiations were continued with renewed vigor, and on March 25, 1957, the treaties establishing a common market for all goods and services among the Six (the European Economic Community or E.E.C.), as well as a European Atomic Energy Authority (Euratom) were signed. They were ratified in record time and went into effect on January 1, 1958. Formally, these new communities provided for less freedom of action for the executive commissions. The advice and consent of the Council of Ministers had to be sought much more often than under the E.C.S.C. treaty. On the other hand, the Council's decisions could only follow Commission requests. The ministers had little policy initiative, and their verdicts did not

have to be unanimous. The Commissions could exercise considerable pressure, and have done so. Given the state of West European public opinion, the ministers have neither disregarded nor negated community proposals. The developments within the Common Market reflect this relation. Tariff reductions have progressed far ahead of schedule. In January, 1962, the second stage in the achievement of full economic union, provided by Article 14b of the E.E.C. treaty, was officially entered.

Once more the Six stand where they found themselves in 1953. A major step forward has been taken, but the "more perfect union" lies still ahead, and the question arises: What next?

Political union is the obvious answer. Since 1961, regular discussions on the subject have been held, but they have produced no results. The only well-articulated prospect has been General de Gaulle's *Europe des patries*, lately warmed up as the Fouchet Plan. It rests almost entirely on the superannuated principle of intergovernmental consultation and, if implemented, would result in a proliferation of ministerial, ambassadorial, and secretarial bodies, none of which have or could have any organic relation with the existing communities.¹⁰ The Gaullist plans rehash views propounded for the past 10 years by such major supporters of the General as Michel Debré. There is no likelihood that new solutions will emerge from that quarter. At the same time, neither Germany nor Italy have formulated convincing alternatives. The case for political union has been pleaded most insistently by the small Benelux

(Continued on page 302)

⁹ Meeting of the Ministers of Foreign Affairs of the Member States of ECSC, *Resolution Adopted by the Ministers of Foreign Affairs of the Member States of ECSC at their Meeting at Messina on June 1 and 2, 1955. Provisional Translation* (Luxembourg, 1955).

¹⁰ For a recent critical discussion, see Otto Roegel, "Grossmacht Europa; der zweite Anlauf zur politischen Einigung," *Die politische Meinung*, VII (1962), 23-29.

Hans A. Schmitt has been on the faculty of Tulane University since 1959. He is the author of *The Path to European Union: From the Marshall Plan to the Common Market* (Baton Rouge: Louisiana State University Press, 1962), and of the forthcoming *Charles Péguy: The Decline of an Idealist*. He is at present engaged in a study of the problems of national integration in Germany between 1870 and 1914.

"A reconsideration of United States policy toward European integration in past months has not led the Administration to doubt the basic soundness of the policy. Strategy remains the same; tactics change. The crisis . . . may be rooted in our asymmetrical European policy."

The United States in the Atlantic Community

BY LEONARD B. TENNYSON

Director, Information Service for the European Community, Washington, D. C.

IT is apparent that the United States' policy commitment in western Europe during the postwar years has met with a degree of success unmatched in other areas where the United States has attempted to exert influence. It is equally apparent that this policy now faces a period of readjustment. Partially because of the success of the policy and partially because the conditions under which it was founded and its premises are changing rapidly, readjustment is desirable. If we are to examine this policy and the adjustments to it that must be made, a review of past and present acts will be useful.

The year 1947 marked the genesis of United States postwar policy in support of economic and political unity in western Europe. For nearly two years following the war's end, the economies of former allied and enemy nations lay shattered. Piecemeal United States aid efforts through loans, the United Nations Relief and Rehabilitation Administration (U.N.R.R.A.), and emergency economic organizations kept hope alive but failed to organize the needy nations in a sustained recovery effort.

The cohesiveness of the allies which had enabled them to win the war was soon dissipated. The general disarray grew when differences between the three major Western allies and Russia became marked during

1946, particularly the toughening of Soviet control in eastern Europe and Russia's profound disagreement with the Big Three over German policy. Also, the United Nations upon which the United States had pinned so much confidence was beginning to reveal its built in deficiencies as an operative international organization.

Even as the war continued at eastern and western fronts from 1943 to 1945, displaced European statesmen, some concentration camp inmates, resistance fighters or refugees in the United States and the United Kingdom looked to the day when some form of regional economic and even political unity could be imposed upon a Europe at peace. In Washington American planners pondered the problems of Europe after the war and the United States' inheritance of vast new responsibilities; they discussed the feasibility of European regional groupings that would help the United States to meet its responsibilities. During this period, the United States Congress displayed considerably greater sympathy for schemes of European union than did some Administration officials and advisers who saw postwar regional groupings in Europe as "ganging up" against the United States, as inimicable to the interests of a future world organization, or as tending to offend a sensitive ally, the Soviet Union.

Months before Secretary of State George C. Marshall's speech at Harvard in June, 1947, the air was filled with nebulous and earnest statements by leaders of both parties, by Congress, and by other responsible spokesmen. They all urged United States support for a unified Europe and for a Europe constructed along federal lines. In retrospect, one is tempted to say that some early support for a united states of Europe reflected the American belief that a Europe fashioned in the form of the United States would be best in this best of all possible worlds. There was a certain innocence of the actual problems confronting European unity. But it was entirely healthy that Americans, valuing their own federal system, sustained not only then, but over a period of years, public support for such a policy.

MARSHALL PLAN

The Marshall Plan did not make explicit United States support for a unified Europe, either in its proposal or its embodiment in the Economic Cooperation Act of 1948. The Act provided no new plan or formula. In essence, it was simply a series of bilateral agreements with participating countries. But implicit in it from the beginning was a policy of cooperation with western Europe as a whole. General Marshall had declared:

The role of this country should consist of friendly aid in the drafting of a European [economic] program and of later support of such a program so far as may be practicable for us to do so. The program should be a joint one, agreed to by a number, if not all European nations.

The uniqueness of the Marshall Plan and the United States' role in Europe from 1948 to the end of 1951 can be discussed from many vantage points. What is sometimes overlooked is that the United States did create a new dimension for its foreign policy at that time by becoming not the arbiter but, in many respects, the *partner* of western Europe in the task of recovery. The formation of the Organization for European Economic Cooperation (O.E.E.C.) among the recipient nations and the consequent dialogue that was maintained in that organization be-

tween it and the United States on the economic problems of Europe bore the seeds of European economic integration. The O.E.E.C. also fostered a new concept that is taking shape as a vital aspect of United States policy today—that of Atlantic partnership.

Before the end of the 1940's, the internal debate was shaping which was to have its echoes in Europe. Was United States policy in Europe to be directed in support of economic cooperation through traditional forms of international agreement or in support of economic and political integration through new European institutions? It is moot whether the failure to include in the Economic Assistance Act an amendment (sponsored by Senator J. W. Fulbright) stating that the policy of the United States was "to encourage the *political* unification of Europe" appreciably affected the day-to-day administrative direction of the E.C.A. Subsequent statements by Marshall Plan leaders, such as Paul Hoffman, W. Averell Harriman, and William Foster, strongly favored European *economic* unity as the only road toward effective utilization of United States aid. Their arguments, as the record shows, did not always win the support of the orthodox in the State Department and the Treasury who clung to bilateralism and who made an arbitrary distinction between economic and political affairs.

Economic and political conditions *inside* western Europe shaped one major aim of United States policy in Europe and led to the Marshall Plan. Political events largely external to western Europe helped shape the second major aim and led to the North Atlantic Treaty Organization pact in 1949. The firm aim was to reinforce the collective economic and political security of western Europe; the second was to reinforce the collective military security of western Europe. Both aims, at the time, proved to be mutually reinforcing. Greater economic strength and political cohesiveness in western Europe would in turn provide the stable platform needed to construct an effective defense alliance for the containment of the U.S.S.R. Unity and containment became twin pillars

of United States policy at the beginning of the 1950's.

The foundations of United States policy in Europe remained firm through the 1950's despite tremors caused by the Korean War, Stalin's death, the demise of the European Defense Community (E.D.C.), the Anglo-French invasion of Egypt, and the Hungarian revolt. In May, 1950, the initiative and push for closer European unity moved across the Atlantic to Europe when the late Robert Schuman proposed the pooling of French and German coal and steel economies under a single European authority. The independence of the French move made without prior consultation with Britain and the United States took the foreign ministers of these nations aback. Yet the step was exactly what had been encouraged by United States policy since 1947—that Europe must determine for itself what forms of cooperation or integration it would adopt.

The wholehearted American welcome of Schuman's plan because of its pragmatic approach to economic integration and its apparent solution to the vexing problem of the Ruhr Authority and of Germany's future role in the new alliance was not matched by Britain. However, Britain's coolness to the scheme had a gradual effect of loosening traditional Anglo-American ties.

The Schuman Plan, acceded to by six continental nations, charted the future direction of Europe's unity and gave content to hitherto vague concepts of integration on both sides of the Atlantic. The blueprint for unity found in the Schuman Plan appeared so patently practical that European statesmen seized upon it to solve a new problem born with the emergence of Nato.

THE EUROPEAN DEFENSE COMMUNITY

The United States, in proposing the Nato pact, had been concerned with the containment of the Soviet Union. Now France, faced with the prospect of a German army within Nato, sought the military containment of its traditional foe. French Defense Minister René Plevén's proposal (in the autumn of 1950) to create a European army into which

German forces would be integrated was the answer. But it drew no initial plaudits from the Americans or British. Eventually, the United States was persuaded of its merits, mainly on political grounds. The full ratification of the E.D.C. treaty moved up to a top priority niche among United States foreign policy objectives, a status which was, if anything, enhanced when the Republican administration came into power in 1953.

The United States seemingly refused to accept the possibility of the defeat of the E.D.C. and had, in fact, held to a belief in its ultimate acceptance even if overt pressures in Paris proved necessary. Its defeat in the National Assembly in August, 1954, is history. The event signaled a bitter chapter not only in United States-French relations but in Anglo-American relations. France reacted strongly against United States interference on behalf of its passage. Smarting Americans inwardly blamed the Eden government as well as France for the E.D.C.'s death, in an echo of French Premier Pierre Mendes-France's last-ditch justification that without Britain, France could not go alone into a European army with the Germans.

A EUROPEAN PREOCCUPATION

There was a period of nearly a year following the E.D.C.'s demise when United States policy in support of European unity reached its nadir. The State Department's European preoccupation turned almost exclusively to German problems which included the German Nato force and the omnipresent German reunification issue. The only sign of recognition of the continuing existence of the European Coal and Steel Community came in the appointment of a new United States Ambassador to the E.C.S.C. and a request to the E.C.S.C.'s High Authority to restrict voluntarily scrap steel imports from the United States. However, the E.C.S.C. itself had so little political appeal in the United States that awareness of its purpose and achievements hardly existed.

Thus, by the middle of the 1950's, it seemed that further initiatives for European unity would have to come from Europe. If these

were forthcoming, the United States would then throw its policy support behind them. The departure by the United States from its traditional stance of non-interference in the internal affairs of foreign nations during the E.D.C. crisis had a sobering effect.

American interest, genuine but cautious, was renewed following the Messina meeting of foreign ministers of the Six in June, 1955. Non-interference had become reestablished and the United States stayed in the background. In the fall of 1956, the United States unwittingly helped accelerate the European integration movement. The treaty-drafting conference for the European Economic Community and the Atomic Energy Community was already underway when Britain and France joined forces with Israel against Nasser to regain the Suez Canal.

The quick American rebuff of the Anglo-French adventure convinced some Europeans that greater solidarity was needed to protect European interests such as Suez which Americans might consider of less than global importance. Furthermore, France found her British ally in the short-lived expeditionary effort all too ready to give way to United States pressure; she redoubled her efforts toward rapprochement with a newer ally—Germany.

The signing of the Rome Treaties in March, 1957, creating Euratom and the Common Market, and their ratification by the Six by the end of that year, vindicated the United States' consistent 10-year policy of support for integration. It also was the beginning of a period of rapid change in the complexion, temper, and economic and political condition of the Atlantic alliance. The United States dropped its guise of passivity toward internal events in Europe, as the debate on the E.E.C.-European Free Trade Area (E.F.T.A.) grew. Eventually the United States chose between its allies—the Seven of the Free Trade Association on one side and the Six of the European Community on the other. The history of United States intervention in the E.F.T.A.-E.E.C. debate is too recent and the record not yet complete. However, issues raised by the debate indicated the

simmering differences in philosophy existing between Americans and Britons on European unity.

Changing circumstances affecting United States-European relations reinforce the truism that a nation's foreign policy is forged in the *process* of events and not by plan or pronouncement. Today, circumstances and concepts that shape United States policy in Europe are different from those of the late 1940's and 1950's. Once the foundation stones of European integration had been placed in position, these changes were soon apparent.

FRENCH BID FOR LEADERSHIP

The process of events producing changes in United States policy began in the summer of 1960 with President de Gaulle's call for "*l'Europe des patries*." His call was, in part, reaction to the unsuccessful summit meeting of that spring. The French leader appeared to be rejecting United States leadership in the East-West dialogue and bidding for French leadership of a closed, non-federal Europe of the Six. More broadly, it marked the departure point for a new and increasingly open French policy emphasizing national sovereignty frequently at the expense of Atlantic alliance gains. The impact of de Gaulle's policy fell successively upon the United States with France's rejection of Nato responsibilities and later of the multilateral nuclear force proposal, upon Britain with France's political rejection of United Kingdom membership in the E.E.C., and finally upon allies, neutrals and foes alike with her rejection of the test ban treaty.

The United States could do little to alter the French leader's private vision of the role of his own nation and the future of Europe. But it did take a decisive step in the winter of 1960-1961 to become an active participant in western Europe's economic affairs by ratification of United States membership in the new Organization for Economic Cooperation and Development (O.E.C.D.) The action was taken to recognize that United States economic interests had become interdependent with those of western Europe,

particularly in monetary, trade, and development affairs; the old role of the aloof observer-adviser was no longer in keeping with the realities of economic life. The debate preceding ratification of United States membership in the O.E.C.D. was notable for its introduction of the term "Atlantic partnership" instead of "Atlantic Community."

Despite the innocent quality of the O.E.C.D. convention which demanded not a whit of any member's sovereign rights but hewed to old principles of multilateralism, Administration leaders were careful lest Congress shy away from some infringement of United States sovereignty. But the reason for insisting upon "partnership" went beyond this response. United States policy makers were aware that Europe itself had a long way to go before its own Community could be assured. The logic of the future could well demand some institutional framework for dealing with common economic and political interests of the Western world. Meanwhile, economic problems held in common with Europe could be dealt with through the O.E.C.D. and other existing mechanisms such as the General Agreement on Tariffs and Trade (Gatt).

PARTNERSHIP CONCEPT

The Atlantic partnership concept, as Administration officials reflected upon it, defined a policy position which could reinforce the means of dealing with the mutual economic problems and responsibilities confronting Europe and the United States, and could be joined constructively with United States global policy. A catalogue of the five major areas of United States policy engagement was made by the State Department's Chairman of the Policy Planning Council in 1962. The scope and nature of the global objectives suggested to many that they could be realized *only* if Atlantic partnership developed into a close and effective relationship.

One hopes that the present disparity between aspiration and actuality, ever present in policy formulation, will end in time in the case of the Atlantic partnership concept. Some of the ready assumptions about Atlantic

partnership made in the last two years come less easily today; then, progress toward European unity and Nato's stability seemed reasonably assured. The Commission of the E.E.C. and the Council of Ministers were behaving in a constructive and responsible manner befitting the future European partner. Britain's entry into the E.E.C. seemed a matter of course; membership in the O.E.C.D. promised relief for the United States balance-of-payments problem and a more equitable distribution of the burden of aid to developing nations; a multilateral nuclear force would assuage allies seeking nuclear independence as a measure of sovereignty.

AN ASYMMETRICAL POLICY

A reconsideration of United States policy toward European integration in past months has not led the Administration to doubt the basic soundness of the policy. Strategy remains the same; tactics change. The crisis, if the present situation warrants such a serious description, may be rooted in our asymmetrical European policy. The United States never attempted to maintain economic hegemony in Europe but did maintain a military hegemony that has made impossible a real partnership. United States observers admit some validity in this argument but deny that circumstances, economic or strategic, would have allowed the United States to end its nuclear monopoly.

Tactical errors have certainly played their part in the present situation. A former Secretary of State, Dean Acheson, declared late in 1962, with Administration blessings, that the traditional special relationship between the United States and Britain had been "played out." Shortly thereafter, the United States presented the multilateral Nato nuclear force proposal to Britain, a multilateral proposal made in a bilateral forum at Nassau in December, 1962. Equally unnerving at the same meeting was the tacit United States assent given to the maintenance of a separate nuclear force in Europe—Britain's.

More recently, a few Administration officials, seemingly confident that tough "take-it-or-leave-it" talk is a substitute for well-pre-

pared briefs and patient bargaining at an international negotiating conference, have made some Europeans feel that the United States was less than confident of its own position in Gatt sessions preparatory to the Kennedy round of tariff negotiations. This bellicosity caused one European negotiator to wonder whether the United States regarded Atlantic partnership as exclusively "for" the United States.

But these oversights and shortcomings cannot overshadow the over-all consistency of United States European policy. The Administration has not succumbed to many temptations, such as making General de Gaulle the scapegoat of reverses in Europe, renewing mutually exclusive United Kingdom-United States ties, or "playing off" the other five nations of the E.E.C. against a recalcitrant France.

"CRISIS OF CONFIDENCE"

On the other side, the European partner has not always spoken clearly with one voice and, in the confusion, the views of one or more of the members of the E.E.C. have been mistaken for those of the Community. The Europeans themselves describe the situation in Brussels since January 14, 1963, as a "crisis of confidence." From that date, confidence among the Six that the common interest of all will be weighed by the Council of Ministers has been wanting.

The method of France's exclusion of Britain has slowed the momentum of European integration. But it has not eliminated the possibility of a new forward surge. The next chance lies in the forthcoming round of trade negotiations between the United States and the Common Market within the framework of Gatt.

The importance of the tariff negotiations, to start formally in May, 1964, cannot be underestimated, in their value either for the United States or for Europe. For the Community, their successful conclusion can mean a rebirth of confidence among the Six and a renewal of European economic and political integration. For the United States, the chief promise of the negotiations is not commercial

advantage but consolidation of the Atlantic partnership.

The United States Trade Expansion Act of 1962 is a highly creative piece of legislation aimed essentially at contributing to the solution of problems of the free world's economic development and thus to its political development. But the forthcoming trade negotiations, fostered by the Act, run the risk of failing if the principals, the United States and the E.E.C., allow the negotiations to become a conventional commercial squabble over trade minutiae.

U.S.—E.E.C. NEGOTIATIONS

The negotiations will, by the nature of the problems involved, be tough. This is healthy for the growth of the Atlantic partnership concept which can develop only as it becomes operative in real situations. The danger lies in losing sight of one of the original aims of the Trade Expansion Act, which is to give to the developing countries the same trade benefits as to the principals. It follows that the partners should acknowledge that the trade negotiations are primarily *political* negotiations; the attitudes and the approach to them must be conditioned accordingly.

Attitudes play a fundamental role in the conduct of foreign policy. In the case of the forthcoming negotiations, advice from a former Assistant Secretary of State for Policy Planning could well serve the men at the conference table. He suggested that with a growing mutuality of interests the Atlantic partners should revise old attitudes toward international negotiations and look upon the *problems* as the common adversary: "If both parties sit on one side of the table and place the problems on the other side, we will have made a great forward step."

Some State Department officials have lamented the fact that Atlantic partnership cannot come to fruition without the existence in Europe of a partner equal to the United States in economic and political strength and cohesiveness. They argue that the European Community is only in the process of becoming a unitary force; until the last ghost of European nationalism is laid and the Community's

Commission becomes a truly supranational European executive, it is idle to employ the concept of partnership as an active arm of policy. This kind of reasoning is faulty for many reasons; the possibility of partnership is lost if one of the members chooses to be the arbiter of another's ability and equality. But it is more to the point that Europe can move toward a more equitable basis for partnership *only* by the exercise of partnership responsibilities—even though these at the outset may be limited.

A genuine problem of attitude towards the exercise of partnership responsibilities is also involved in the United States' regard for the institutional viability of the European Community. It is the E.E.C. Commission that will act as principal negotiator in the trade negotiations for the Six. If the United States negotiators attempt to undercut the role of the Commission through lack of patience or for tactical advantage by dealing outside the conference room with individual members of the Six, they will be exchanging short-term gain for long-term losses. The temptation is understandable particularly among technicians impatient to "get on" with the black-and-white items on the agenda, who perhaps lack understanding of the Community "method" and the balance between the Commission and the Council of Ministers.

The importance of the "how" in the negotiations is uppermost and the "what" has already been widely discussed and written about. Problems include the definition and adjustment of disparities in tariff levels, the E.E.C.'s variable levy system for certain agricultural commodities, the lack of importance of the 80 per cent clause due to Britain's absence, the price of chickens, escape clauses, tariff retaliations, and a score of other issues. Still, none of the problems is insurmountable if common interests are recognized and the future is considered rather than the past.

THE AGRICULTURAL KNOT

Certainly the knottiest problem that will face the United States and the E.E.C. will be

¹ See *The Month in Review*, "International E.E.C.," page 309 of this issue.

in the field of agriculture.¹ Agricultural trade is no longer a simple matter of setting tariffs and quotas. These traditional devices have been outmoded by technology which has enabled industrialized nations to produce 40 per cent more per capita since the war. In the less developed nations, whose sole incomes may derive from exports of raw materials and agricultural commodities, per capita output has fallen. Involved in the agricultural trade issue is the urgent matter of the purchasing power of the developing nations who cannot find a tolerable balance between the prices they receive for raw materials and the prices they must pay for manufactured goods.

Agriculture will play the decisive role despite its inherent political and parochial nature on both sides of the ocean. The issues arise between two large economic areas, the United States and the E.E.C., but the effects of decisions concerning agriculture will be global. The debate on agriculture concerns the stabilization of world markets and price disparities between raw materials and finished goods. World commodity agreements to date have met with little success. Yet the negotiators will have to reach global agreements covering production, subsidies and surplus disposal to achieve a better balance between supply and demand, greater stability and better price relations.

THE OUTCOME

In the final analysis, the decisions and agreements on agricultural and on industrial trade will have a political effect on the partnership and on the rest of the free world. The participation by the United States in the

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Although "E.F.T.A. has signalled its intention of remaining a going concern and becoming a more active one . . . [it] is too small, too unbalanced, has too little natural cohesion ever to offer a real alternative to the E.E.C." Since this specialist believes that "like E.F.T.A., the Commonwealth does not offer a viable alternative to the E.E.C.," she thinks that "Britain must seek either closer association with the E.E.C. or the development of greater freedom in world trade."

Britain and the European Community

BY ANN D. MONROE

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ON January 14, 1963, the French President, Charles de Gaulle, pronounced the death sentence on the negotiations for British membership in the E.E.C. Speaking at his press conference, in reply to the question, "Could you define explicitly France's position towards Britain's entry into the Common Market and the political evolution of Europe?" the General left no doubt that Britain was in his view neither willing nor able to accept the conditions which must be imposed if its accession was not radically to alter the character of the Community.

His statement came as an appalling shock. It was a defiance not merely of Britain but of all France's E.E.C. partners, who hastened to dissociate themselves from his view. The next fortnight saw the other five frantically trying to salvage the wreck, hopefully at first but with increasing desperation. The Italians, the Belgians and the Dutch could not, and the Germans, their Chancellor in thrall to his own concept of a Franco-German alliance (then about to receive concrete expression in the Franco-German Treaty of Cooperation), would not bring sufficient pressure to bear to turn the General from his course.

So, on January 29, the Brussels negotiations came formally to an end. It was, by all

accounts, an extraordinary occasion. The French representatives stood aloof while the other five did everything possible to show their disapproval of the General's action. For his part, Edward Heath, the chief British negotiator, stated unequivocally that Britain intended to maintain the closest possible relations with Europe.

We in Britain are not going to turn our backs on Europe or on the countries of the Community. We are a part of Europe, by geography, tradition, history, culture and civilization. We shall continue to work with all our friends in Europe for the true unity and strength of this continent.

Why did General de Gaulle do it? It is no secret that the General and the greater part of French opinion had never liked the idea of British membership. But they had stifled their misgivings, their dislike of a rival for European leadership and their fears of a competitor more powerful perhaps than Germany in European markets; they accepted, however reluctantly, the likelihood of British membership. Why then reject Britain at the eleventh hour and in a fashion that outraged France's partners in the E.E.C. and could have destroyed the Community itself?

Three factors seem to have shaped the General's decision: the course of the negotiations themselves, the change in his own posi-

tion, and the Nassau agreement. By January, 1963, the negotiations had been going on for well over a year (Britain formally applied for E.E.C. membership on August 9, 1961; the first meeting between Britain and the Six was held on October 10 and regular negotiations opened on November 11). They had never been easy and during the autumn of 1962 it seemed as if the negotiators might be getting bogged down in interminable discussions on agriculture and foreign trade; in fact, they were not, but progress had slowed appreciably.

Meanwhile, in November, the Gaullists had won a resounding victory in the French elections. They gained 233 seats out of a total of 482, against their previous 204 out of a total of 577; and the Republican Independents (formerly unlisted), who also support the General, gained 35 seats. Communists and Socialists also gained; it was the centre parties and the independents, the only potential source of legitimate opposition to the government, who collapsed and lost more than half their seats. Stronger at home, the General was also stronger abroad. An exchange of visits with German Chancellor Konrad Adenauer (de Gaulle's visit to Germany was, incidentally, a resounding popular success) had resulted in an agreement to evolve formal terms for Franco-German cooperation which were to be embodied in the Treaty already referred to. This strengthening of the Paris-Bonn axis not only gave the General the nucleus of his *Europe des patries* but gave him leverage on the German government should it wish to oppose him over British entry.

Finally there was Polaris: Prime Minister Harold Macmillan's visit to Nassau, his agreement to place British nuclear forces under Nato control in return for Polaris missiles, the General's furious rejection of a similar arrangement for France, perhaps on top of an earlier disappointment that Macmillan had not offered to pool British and French forces as a step to that European equality with the United States which the General so ardently desired. Just what the General did think or what he wanted from the British is

uncertain. But there is no doubt that the Nassau agreement and all that it involved strengthened the General's resolve, probably already fixed, to torpedo the Brussels talks.

THE REJECTION OF BRITISH MEMBERSHIP

What happened at Nassau perfectly illustrated the ground of President de Gaulle's argument against British membership, here and now, in the E.E.C. Britain, he said, was insufficiently European to join the Community. The argument was deployed with great skill at his press conference. He began by describing the existing members of the Community, stressing their similarities, their comparable level of development, their political sympathies and the fact that "not one among them is bound abroad by any particular political or military accord." His picture of the Six was distorted—in particular, the political sympathy of other members with the Gaullist view of Europe is negligible and they are all, including France, members of one binding overseas politico-military agreement in Nato—but it was not unrecognisable.

After the thin ice of generalities, de Gaulle moved to the firmer ground of agriculture and spoke of the imperative necessity for France to find in the Common Market outlets for its surplus agricultural products, hence the need for agriculture to be included in the Common Market. Here again the picture was distorted by implication: it has never been denied that agriculture must come under common rules as the General seemed to suggest; but the form of those rules has been bitterly disputed, inside as much as outside the Six.

Having painted his picture of the E.E.C., de Gaulle turned to Britain and proceeded, not unfairly, to point out its initial refusal to participate in the Community and its delays and hesitations in applying for membership. Britain, he said,

is insular, she is maritime, she is linked through her exchanges, her markets, her supply lines to the most diverse and often distant countries; she pursues essentially industrial and commercial activities, and only slightly agricultural ones. She has in all her doings very marked and very original habits and traditions.

He pointed out the differences between Britain's agricultural trading policy and that of the Six, hammered home the fact that Britain could not join the Community and maintain Commonwealth preference nor yet continue to give special treatment to other members of the European Free Trade Association, emphasised the degree to which British membership, entailing also Norwegian and Danish membership, must alter the Community.

Finally, coming to the nub of his argument, he queried how an enlarged and less coherent E.E.C. would handle its foreign relations, especially relations with the United States: "ultimately it would appear as a colossal Atlantic community under American dependence and direction." Not until all this had changed, not in effect until Britain was prepared to join on French terms, would it be a worthy member of the Community. To that day the General cheerfully looked forward and in the meantime saw nothing to preclude an "accord of association" between Britain and the Six or close cooperation between Britain and France.

The brilliance of the General's attack lay in the fact that not one of his arguments against British membership could be contradicted absolutely. Britain does differ strikingly from the continental countries in its history, in its organisation and in its trading habits. By the mere fact of joining it would be bound to alter the balance of the Community and subtly to influence the arrangements governing every aspect of Community affairs. As a member, it would have had a very large say in shaping Community organisation and policy, and could count moreover on strong support not only from those countries which would join with it but from the Benelux countries and in some matters from Germany and Italy also. It had declared its readiness to accept almost every aspect of the Community as it stood, but on agriculture, the Commonwealth, and the European Free Trade Area (E.F.T.A.) it had requested changes. While those changes looked like the minimum acceptable to Britain, they certainly meant turning the Community into a more outward-looking organisation, a consumma-

tion, it may be added, devoutly to be wished by five out of the Six.

THE MEANING OF BRITISH MEMBERSHIP

In sum, it appeared at the time of the Brussels breakdown that British membership would entail an increase in the number of full members from six to eleven, bringing in Britain itself, Austria, Denmark, Norway and the Irish Republic; a reduction in the common external tariff on some tropical products and raw materials in the interests of Commonwealth exporters; an extended transition period for the creation of the common external tariff on certain low-labour-cost manufactures and the conclusion of an extensive network of trade agreements with Asian Commonwealth countries; and a more liberal interpretation of some aspects of the common agricultural policy which would prevent a drastic reduction in the level of Europe's food imports from overseas. It did not necessarily involve any other change.

It was widely expected and hoped, however, that the liberalisation of the Community would be carried further under British auspices. Those parts of President Kennedy's Trade Expansion Act which permitted virtually free Atlantic trade in industrial goods would become valid after Britain had joined the Community. This economic rapprochement between the United States and Europe would be matched, it was thought, by closer political relations. Germany, or rather Chancellor Adenauer, might hesitate to choose between France and the United States but Britain would plump unhesitatingly for the American alliance. It would be wrong to suggest that it would, in fact, have done so to the extent of harming the interests of the Community. There is no reason to suppose that Britain would enact the latter-day role of a Trojan horse. There is, however, equally no reason to suppose that, with Britain inside, General de Gaulle could have carried forward his policy of transforming the Community into a French-dominated autarchic, essentially nationalist super-state.

But if no-one outside France cared that the General's "third force" would die stillborn

should Britain join, indeed they welcomed the prospect, there was still anxiety about how Britain would behave. Throughout the 1950's Britain's attitude to Europe had been ambivalent. Britain promised cooperation readily enough but when it came to performance the British often seemed to have an excuse for dodging their commitments. The Conservative government appeared at last resolved to live up to its European profession despite the doubts of its supporters; but most Labour party members had never shown themselves more than lukewarm, often actively hostile, to the idea of European integration. Since by late 1962, it seemed fairly clear that, barring a miracle, Labour would form the next government, even the most ardent continental supporters of British membership must have had some doubts about the future.

Just what would have happened we shall never know, but for the record it should be remembered that Labour's hostility to Europe was never very significant. It seemed to spring from that ignorance of what is really happening in Europe which has so much weakened British policy since the war. I would not like to suggest that the rank and file of the Labour party would overnight have been transformed into ardent Europeans. But I do suggest (and in this matter one can only have personal opinions) that a *fait accompli* would have induced a fundamental change in Labour's attitude once it had been brought home clearly that membership in the Community was not incompatible with Britain's curious and individual form of socialism, even if it meant discarding some party shibboleths. In my view, Britain would have been transformed by the Community, rather than the reverse.

FUTURE POSSIBILITIES

The General's abrupt resolution of the Brussels negotiations nearly split the Common Market, provoking its first major crisis. But for Britain the crisis was much worse. It is no exaggeration to say that the government's whole policy fell clattering in ruins. Nothing was left. E.E.C. membership had insensibly

become a basic assumption of foreign and economic policy. In place of "If Britain joins," people had come to think in terms of "When Britain joins." It was not Macmillan alone who had gambled on a successful outcome at Brussels.

It was hoped that much would be achieved by joining Europe. In the days of its imperial glory, Britain had in a pinch been able to assert its leadership of Europe. Now, shorn of Empire, it saw a last chance to seize the lead. General de Gaulle has been deliberately using Europe to prop up France's great power status. Britain had precisely the same intention, though its leaders were less clear-headed and much more reticent. More obviously, membership in the Community was to provide that cure for Britain's economic ills for which the country has so earnestly if inexpertly been searching.

It promised free access to what could at last be plainly discerned as Britain's most promising natural export markets; it promised a new pattern of economic relationships in which Britain could deploy to the full its latent economic strength; it promised a sharing of burdens now too great for Britain to carry alone, the burden of running an international currency and providing financial assistance to the underdeveloped countries of the Commonwealth and a growing market for their exports. It promised by a kind of sympathetic magic to extend to Britain the economic miracle of rapid and sustained growth that has been achieved in country after country on the continent since the war. And if this was too sanguine a view to appeal to the more hardheaded, it certainly promised more favourable conditions for the spontaneous emergence of a miracle in Britain. All these hopes were killed at one blow and the most unnerving aspect of the situation was that there was no apparent alternative. The government could only pick up such pieces of its shattered policy as remained.

The piece nearest to hand was E.F.T.A. Like Britain, most of the E.F.T.A. countries had to find quickly some substitute for the policy of immediate membership or association with the E.E.C. So a bare four months

after Brussels, the E.F.T.A. countries made a new beginning at their ministerial meeting of May, 1963. E.F.T.A. was originally, and still is, a much more limited organisation than the E.E.C., on whose superior attractions the eyes of all E.F.T.A. members were firmly fixed at the time of its inception. It is a free trade area, not a customs union, and thus promises only the removal of barriers to internal trade, its members maintaining their individual tariffs against third countries; it is limited to industrial goods, excluding the farm and fisheries products which are staple exports of three of its members, Denmark, Norway and Portugal; and its institutional framework is as limited as could be expected in the circumstances, sufficient only to make internal free trade effective.

The original E.F.T.A. timetable for tariff reductions was framed to keep pace with that of the E.E.C., and when the Six accelerated their tariff cuts, so did the Seven. By the end of 1962, E.F.T.A.'s internal tariffs were only 50 per cent of the base level. In May, 1963, without waiting for the Six to declare their intentions, the E.F.T.A. countries (with the exception of Portugal which has its own special timetable) committed themselves to internal free trade three years earlier than originally proposed. Duties will be cut in four successive steps, disappearing altogether by the end of 1966. At the same time, tentative steps were taken to extend E.F.T.A.'s scope and strengthen its framework. Some additional minor products were put on the list of those eligible for free trade; a series of bilateral deals gave the exporters of food and fish easier access to their partners' markets (Britain, for example, waived the duty on Danish butter); and the richer countries gave concrete expression to their intention to assist in the economic development of the poorer by agreeing to the formation of various bodies to promote cooperation in investment and economic policy and by promising easier access to their capital markets.

E.F.T.A. VS. E.E.C.

The May decisions mark a real advance. E.F.T.A. has signalled its intention of remain-

ing a going concern and becoming a more active one. But it cannot be said that the practical results of all this are likely to be very great. E.F.T.A. is too small, too unbalanced, has too little natural cohesion ever to offer a real alternative to the E.E.C. Against the E.E.C.'s more than 170 million people, it has some 90 million; but 53 million of them are in Britain. It is true that higher average incomes help to even things out but the E.E.C.'s national income is growing faster than that of E.F.T.A.—the Six are catching up on the E.F.T.A. average—and, more pertinently, their trade is far larger. In 1962, E.E.C. imports were valued at some \$35.7 billion, Britain's at \$12.6 billion and the rest of E.F.T.A.'s at \$11.9 billion. The Community offers Britain a market three times as large as E.F.T.A. And if any other proof of E.F.T.A.'s inadequacy were needed, the trade of its members with the Six, more particularly Britain's trade, has since its inception grown more rapidly than trade within the E.F.T.A.

This inadequacy is fairly clearly recognised and people are looking for additional means of strengthening Britain's trade position. The only new possibility that has emerged is the development of much closer relations with the Commonwealth, which has been advocated both by the Labour party and by some Conservatives. Various measures have been suggested, ranging from the appointment of a Minister of Commonwealth Development, to commodity trade agreements and the creation of guaranteed markets. Perhaps the most radical suggestion of all is a revision of the General Agreement on Tariffs and

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In France, "the closing of the wide gap between the income of the urban and rural population should eliminate the main cause of tensions between the two groups and increase social cohesion in the national community."

The French New Deal

BY VACLAV E. MARES

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ROUTE NATIONALE Sept is that popular branch of the French highway system which connects Paris with the French Riviera and which, from Lyon down, serves vacationists from Central and Northern Europe as the shortest link with the Mediterranean coast. Those who were traveling on this road in the early days of last July—and there were many, since schools close in France at the end of June—had a good chance, under the blue skies of Provence, to see what it looks like when French peasants revolt.

Even those who had no advance knowledge learned that French farmers were in some serious trouble. They realized it when they had to drive at a snail's pace among tons of mushy tomatoes, apricots and peaches scattered over the highway, or when they had to take a long detour because the "Nationale Sept" was blocked by barricades of tractors, telephone posts and entangled wires, or because it was "burning" (due to ignited sulphur on its surface). Those who noticed the prices at which the fruit was being sold at the roadside stands—a nickel-a-pound on the average—could guess the reason for these signs of discontent.

The farmers blamed the government for all their troubles and did not pay much attention when official statements tried to shift the blame to the weather and advised them to send their complaints to their bishops rather than to their prefects (in French *évêques*

rhymes with *prefects*). On public squares in district capitals where they came to demonstrate, the peasants attacked the government's planning experiments, its Common Market policy, the fruit imports from Africa and Spain, the business operations of the Algerian refugees, the new refrigerated rapid freight trains bringing the fruit crops from Sicily to Central Europe in 24 hours, and other innovations adverse to their interests. Exposed to the reasoning of the common man in the Midi, this writer could better understand a remark of a grocer who, when wrapping two pounds of pears, whispered to him confidentially, "... they are good, guaranteed Italian, but, you know, we can't advertise it, it does not make a good impression nowadays." Ironically, this store was in Strasbourg, Allée de la Robertsau, on the same boulevard as the seat of the European Parliament.

The question must be raised as to why the farm problem in France has become so dramatically acute. After all, the substance of the problem is nothing new. The farm sector is handicapped in a national economy in which the manufacturing sector is growing much faster and is "pulling up" the level of prices and incomes. One can find many examples of how industrially advanced countries have dealt with this problem. Even if their solutions did not satisfy critical economists, they helped to keep a certain balance—or, more precisely, a controlled imbalance—between the incomes of the urban and rural

population groups. This, in turn, helped both of them to maintain their social status and mutual respect.

THE ROOTS OF THE PROBLEM

Governmental assistance to agriculture in countries with fast growing industrialization has been based on the recognition of the fact that industry can mobilize and accumulate capital with much greater ease than agriculture, and, consequently, can benefit much faster from the advancement of science and technology. Governments have tried, therefore, to equalize the development opportunities for agriculture by opening and subsidizing professional schools for farmers, by financing research laboratories, by instituting and operating farmer information centers, by extending to them new credit facilities and social services, and by other similar actions and programs. Land reforms, whether motivated by social or economic considerations, have also been a part of these policies.

In France, no policy of this type has ever been developed. With minor exceptions, tariff protection has been the only assistance offered to agriculture; this, at times, actually became a disservice which blocked agricultural development. No inducement has ever been provided for the modernization of farm production methods, for the structural adjustment of farm enterprises, for the processing of their products and for the updating of their marketing methods.

Old inheritance laws aggravated the land tenure situation. On farms where two or three generations worked together, the oldest man often jealously guarded the privilege of directing the family enterprises. This is why many dynamic members of the younger gen-

eration preferred to quit farming instead of waiting, perhaps until their late forties, to try out some of their own ideas in farm management. Those young people who stayed in farming were primarily the passive family members.

This trend—the exodus of the potential élite—was also partly the result of the lack of educational opportunities available to farm children. A great number of them had to spend their obligatory school years (from 6 to 14) in one-classroom schools; at the end of 1958, there were still close to 20,000 of these in France. In the same year, only 16 per cent of farm children who were in the secondary school age group were actually receiving secondary school education. At a time when 26 per cent of the population were still supported by farming, only 5 per cent of the university students came from farmers' families.

Access to secondary and higher education was blocked to farm children partly by inadequate public transportation facilities in rural districts, and partly by obsolete regulations that disqualified landowners' children from receiving scholarships (from the days when landownership was a symbol of wealth).¹

THE FARM LAG

All this delayed the development of the French farm sector so that it became noted for its backwardness both in relation to the other sectors of the French economy and in relation to agriculture elsewhere in Europe (except for her deep south). Among the six countries of the European Economic Community, France's output per acre in the 1950's was in value the lowest, lower even than that of Italy.² The 26 per cent of France's active population who were making their living farming were receiving only 15 per cent of the national income. Their personal income per capita averaged only 57 per cent of that in non-farm occupations. The man from the country became accustomed to thinking of himself as the one who was by birth underprivileged in the French national community and the man from the city, by his condescend-

¹ These data are taken from "*La Révolution silencieuse*" by Michel Débatte in the collection, "Questions d'actualité," published by Calman-Levy. See in particular the chapter "L'école inaccessible" on pp. 65-76.

² See "*L'Agriculture et l'Europe*" by Jean Jacques Sauer in the collection of the Centre de Recherches européennes published by the University of Lausanne. In a table on page 49 the following figures are given for the dollar value of output per hectare in 1956 for the six countries; West Germany 307, France 209, Italy 260, Belgium-Luxembourg 520, Netherlands 530.

ing attitudes, only reinforced the peasant's inferiority complex.³

THE REVOLT OF THE YOUNG FARMERS

It was clear to some intelligent leaders of the postwar farm generation that changes were necessary if agriculture was to regain its place in the national economy and secure its fair share of the rising prosperity. French agriculture must adopt modern production techniques and must cope with those adjustment problems which no industrialized country escapes. Among these the most urgent were the liquidation of small, inefficient farm units, the consolidation of others, the achievement of higher yields per acre and per man, the transfer of people to non-farm occupations, the mobilization of capital for necessary investments.

The old generation, however, which was in control of professional organizations, stuck firmly to its status quo policy that consisted mainly of a fight for higher prices for all farm products and of the defense of its property rights and privileges. An open clash between the views of the older and of the younger generations about the policy of the professional syndicates ended in 1956 with a victory for the young farmers. From then on, the syndicates declared their willingness to grant membership with full voting rights not only

to the nominal landowners, as before, but also to all those members of the landowners' families who earned their living by working on the family land.⁴

This rejuvenation of the professional syndicates had a far-reaching effect on the formulation of the new agricultural policy with which France is now attempting to solve her farm problem. Two laws and a number of executive orders created the legal and institutional framework for structural changes in French farm enterprises and for their adjustment in size to the requirements of modern production techniques.⁵ This regrouping of land property has been entrusted to non-profit regional companies, which under the name SAFER⁶ are now being established in the 21 regions of this French renovation program. Land which is not occupied, or land which is not used, is no longer protected against expropriation. The regional companies have also the right of pre-emption on any land which is offered for sale in their districts; either they must resell it to existing farm enterprises which need it for the rounding-off of their properties, or they must keep it and enlarge it by other land purchases and sell it only when it becomes an adequate operational base for a new farm enterprise.

Provisions are made for the opening of new professional and higher educational institutions for farmers. Credit facilities and crop purchasing contracts for certain products have been promised to those farmers who will join professional organizations recognized by the Ministry of Agriculture and who will subject themselves to their rules.⁷ When approved by a referendum, such rules can be enforced even against outsiders. Penalties and prison terms (up to two weeks) are foreseen as sanctions against violators.

It will take a few more years before the results of this far-flung reform program appear in the cost and income figures of the French farmers; it will take time until marketing agreements within France and within the European Economic Community assure a steady demand for their products at remunerative prices. Until then, the government will have to resort (as it did this year) to im-

³ Simone Weil, in a study published under the title "*L'Enracinement*" in the collection "Idées" of the Nouvelle Revue Française, makes on p. 108 these interesting observations about the mentality of the French peasants: "If the workers suffer under the impression that, in this society, they are in exile, the peasants, on the contrary, believe, that in this society only the workers can feel at home. . . . The inferiority complex of the country people is so strong that even a rich peasant accepts it as a quite natural thing when small bourgeois retirees treat him in the same patronizing way as, in the past, the colonists used to treat the aborigines. An inferiority complex must be very strong indeed, when not even money helps to overcome it." (This writer's translation.)

⁴ For a detailed account of this transformation of agriculturists' syndicates see Debatisse, *op. cit.*, pp. 140-158.

⁵ The two laws were: "*La loi d'orientation agricole*" of 1960 and "*La loi complémentaire*" (called also "*La loi Pisani*") of 1962.

⁶ Stands for Sociétés d'Aménagement foncier et de Remembrement.

⁷ This function is entrusted to an agency known by the name FORMA, standing for Fonds d'Orientalisation et de Régularisation des Marchés Agricoles.

provided aid as need arises in various products and regions. The 1963 surpluses, caused partly by the weather, partly—especially in grains—by premature Common Market expectations on the part of individual farmers, demonstrated the enormous productive potential of French agriculture. This experience darkens the hope of an early agreement between Great Britain and the European Economic Community, since France is likely to be now even more opposed to any concessions in farm products to British Commonwealth countries. The surplus will also make more difficult the forthcoming trade negotiations with the United States which, until recently, was the main supplier of those farm products in which the Common Market countries were deficient. President de Gaulle's declarations of France's independence from international organizations, which he repeated so bluntly on his September tour through southeastern France, leave no doubt about the difficulties that will face the Western allies in dealing with their "independent" partner.

In his first press conference after the summer of 1963, Valéry Giscard d'Estaing, the French Minister of Finance, declared:

Practically in all its sectors, the French economy has operated this year at record output figures and it does not show any signs that it would slow down in its performance in the coming months; on the contrary, the rhythm of its growth might even accelerate.

He supported his statements by some advance notice about figures that were soon to be published: Against 1962, the industrial sector (without building) showed an increase of 7.8 per cent, the construction, a gain of 11.4 per cent; exports rose from a monthly average of 1.1 billion new francs in 1958 to a monthly average of 2.2 billion new francs in 1962; this year, in April and in July, they reached the figure of 2.9 billion new francs. Imports rose too, but relatively less, so that the trade is now in balance.

France's gold and convertible currency re-

serves reached a value of \$4.2 billion and they are now the second highest in Europe (after West Germany); in the agricultural sector, the grain crop is likely to be as high as in 1962 (when it was higher by 45 per cent than in 1961) and in wine, fruit and other vegetable crops new records will be attained this year. In meat only the increase of output is lagging behind the consumers' demand which, due to the widespread effects of prosperity, rises faster than has been anticipated.

These are, in brief, the conditions under which France's economy operated in the sixth year of the Fifth (de Gaulle's) Republic and in the second year of the Fourth Economic Plan. This Plan was based on the assumption of an annual rate of growth of 5.5 per cent which has been, on the average, maintained. Except for trouble with the farm surpluses, the economy seems to operate smoothly and to perform well the task that has been assigned to it by President Charles de Gaulle in his design to restore the grandeur of France.⁸

In the field of economic policy, de Gaulle was not a doctrinaire. The economic liberalism of his first cabinet of the 1958-1959 era contrasts sharply with the neo-capitalism of the technocrats of the 1962-1963 period. In 1958, the goal was recovery and restoration of people's confidence in the national economy. For this task, an experienced and popular politician and a distinguished monetary expert of international reputation seemed to be the best team. Antoine Pinay and Jacques Rueff got the job. In January, 1960, when Minister of Finance Pinay quit in protest against what he called socialist étatism of other government members, Wilfred Baumgartner of the Banque de France, still a man of the old school, was called upon to complete Pinay's task.

As soon as recovery was completed, growth became the key word of the government's economic policy. This was not the task for the old guard which was burdened by too many conventional ideas. For this, de Gaulle trusted younger economists some of whom impressed him by their knowledge of growth patterns of other nations and by their comparisons of growth rates of the "planning"

⁸ For more data about the performance of the French economy under the Fifth Republic see "*La Percée de l'Economie française*" by Jean Lecerf in the collection "Notre Temps" published by Arthaud.

and of the "not-planning" economies. He welcomed the idea of the plan because, after his depoliticization of public life, he had to give the people another catalyst through which their interest and energies would be attracted to a national goal.

Seeking fresh talent, de Gaulle tried to find new economic advisers among the men trained in the nationalized industries, in the Inspection des Finances, and among the alumni of the new prestige institution of the French higher educational system, the École Nationale d'Administration. While these men were taking high positions in France's administrative hierarchy, de Gaulle temporarily entrusted to Premier Michel Debré the formulation of the government's new economic policy.

Michel Debré was a strong believer in planning and in the government's multiple functions in the economy. When he was followed in the premiership by Georges Pompidou, the young generation of planners and technocrats was already firmly established in key positions. Giscard d'Estaing, de Gaulle's new Minister of Finance, became their undisputed boss and the main public relations man of the French "New Deal."⁹

⁹ Philippe Bouchard draws an interesting parallel between Giscard d'Estaing and President Kennedy in his book *"La Mystique du Plan"* (published by Arthaud in the collection "Notre Temps") where on page 59 he writes: "On one hand Giscard d'Estaing pretends to carry on the heritage of Antoine Pinay and on the other he tries hard by his attitudes and by his statements to act as a French Kennedy. If one tries, one can find in fact many similarities between the two men. When they were born, both found money in their cradles which helped them to get ahead fast. Both developed a personal style with the help of their families and of teams of collaborators. Kennedy's example seems to be in Giscard d'Estaing's mind an obsession which leads him so far that, without fear of being ridiculous, he poses as the man to whom Kennedy comes for advice in economic problems which he succeeded in solving while Kennedy was still wrestling with them. In the local paper, read by his voters from Puy-de-Dôme, Giscard d'Estaing let appear in October, 1962, a picture showing him smiling tête à tête with Kennedy who turns to him with the question (in caption): "Comment faites-vous donc?" He tries to build up a legend of a young, dynamic minister of finance who is looking for new ways which would help France to develop her strength and to resist with success such extreme ideologies as fascism or communism . . . One speaks already of Giscard d'Estaing's presidential ambitions." (This writer's translation.)

THE FOURTH PLAN AND ITS MYTH

The Fourth Plan was presented to the public on June 6, 1961, in an address by General de Gaulle. It became immediately the "grande affaire" of the Fifth Republic. It was preceded by three other Plans: The First in the years 1948-1953, coordinated public investments in certain key industries and aimed mainly to make up for losses and delays caused by the war; the Second, covering the period 1954-1957, tried to increase the productivity of the French economy and, by social investments, to develop new territories for its expansion; the Third Plan (with its "rattrapage" amendment) attempted, in the years 1958-1961, to prepare the French economy for free competition within the European Economic Community and in world markets. Then came the Fourth Plan, which bore the official name, "Plan of Economic and Social Modernization."

In spite of this seeming continuity of development, the Fourth Plan was a clear-cut break with the economic policies of the preceding regimes. The first three Plans offered mainly the framework for the operation of certain governmental agencies and nationalized industries; the broad public seldom heard of them. One did not want to destroy the public's belief in economic rights of individuals and groups, the belief in the sanctity of "*les droits acquis*," which was very strong in France. Conservatives, like Pinay, and Socialists, like Paul Ramadier (Prime Minister when the Second Plan was in operation), were reluctant to take any action which would strengthen the position of the planners against the individual.

From the speeches through which the Fourth Plan was presented to the public, it became evident that the government was no longer anxious to keep the illusion of the common man's freedoms in today's economy. It was made clear that individual rights will have to be sacrificed whenever they conflict with the objectives of the Plan. The Plan became a symbol, a symbol of France's future grandeur, a goal towards which all must work in closed ranks. Much of the oratory reminded one of similar performances in the

peoples' democracies. De Gaulle spoke of the "gigantic effort of renovation" for which the Plan became the blueprint; he urged his people to accept it "with feelings of passionate obligation." "Symbolic" value, "psychological" value, "sentimental" value became the adjectives which kept on reappearing in official eulogies of the Plan. The method was given the name "active" planning in contrast to the "indicative" planning of the preceding plans, and in contrast to the "imperative" planning of the Communist countries.

A QUALITATIVE EVALUATION

The performance record of the French economy during the first half of the Fourth Plan is certainly remarkable. When giving credit for these achievements one should not forget that some of them were the results of long maturing actions in which the technocrats of the present regime continued the work started before them. Thus the foundation for the spectacular development of France's foreign trade and of her balance of payments was laid by the Pinay-Rueff-Baumgartner team of de Gaulle's first Cabinet which restored domestic and international confidence in her monetary system; this stimulated the resumption of trade and the expansion of domestic and international investments. The annual rate of growth of 5.5 per cent was not the result of the Plan either. Except for the years 1958-1959, this was the average level of growth in France for all eight years of the 1954-1963 decade.

Traveling across the country, one can already see some accomplishments of the regional development policy. Hundreds of public "aménagement" projects are changing the pattern of life in many old rural districts of France. There are new road connections, pipeline and powerline extensions, warehouses and sometimes even standardized plant units to attract private entrepreneurs to designated centers for industrial settlement. Other provinces, like Alsace, are attracting new industries without any special government effort; what formerly were peripheral regions of a limited national market became suddenly

choice locations in the heart of the future European market. But neither the regional development policy nor the establishment of the Common Market were products of the imagination of the present regime. In this respect also, it continued to develop the ideas of its predecessors, sometimes reluctantly, as in the case of the Common Market, sometimes with added vigor, as in the case of the regional policy.

Many new regional sources of energy supply are also contributing to the fast growth of new industrial centers in France. The upper Rhine from Strasbourg to Basel will soon supply more electrical energy than our Tennessee Valley Authority. The new dams and power generating stations on the Durance river are attracting new manufacturing enterprises to Provence. Two trees of pipelines—one carrying liquid fuels from the refineries near Marseilles, the other natural gas from the Lacq region in the Pyrenees—extend their branches far to the north and open to industrialization many areas which have been by-passed by it in its early, coal-oriented phase. Thus the French economy is benefiting now from long-range public investment programs most of which were launched by the governments of the Fourth Republic.

There are also some dark spots in the picture. Private capital investment is showing a tendency to decline, a trend which is balanced, so far, by an increase of investments in the public sector. Consumption is ahead of schedule and growing faster than production. Pierre Massé, head of the Plan Bureau, urges a cut in consumption's growth from the present rate of 6.3 to 4.1 per cent in order to push the production of capital goods and to curb inflation.

Prices, which after Pinay's 17.5 per cent devaluation rose only by 6 per cent in one year and then for two years remained stable, have been moving up consistently during the first two years of the Fourth Plan and are today 12 per cent higher than at its start. New price increases announced for bread, meat, cars, in transportation and postal services and elsewhere do not give the French consumer great hope that this upward trend in his costs

of living will slow down, even if the Minister of Finance speaks of some new price stabilization measures.

Strikes have continued to plague the economy. The newly-imposed limitation on strikes in public utilities has deprived some two million workers of this right, under certain circumstances; it has hit precisely that category of workers who are underpaid in relation to the private industrial workers; it has increased the tension that existed between the government and labor syndicates; and it has not served the cause of a true social peace.

Considering that the French are the worst housed people in free Europe north of the Alps, the slow progress of the residential housing construction is a sad chapter in the prosperity story of the French economy. The Plan provided that 350,000 apartments were to be completed in 1963, 400,000 in 1964, and 450,000 in 1965. Due to the shortages of specialized labor, the number of completed apartments is, and is likely to remain, some 10 or 15 per cent behind schedule. Moreover, all the construction takes place in new suburbs and around newly built industrial centers and practically nothing is being done to renovate old urban areas where one bathroom per ten apartments is still the prevailing convenience ratio.

The problem is aggravated by high building costs and, consequently, by high rents in the newly built houses. There are still too many small firms that operate as in the days when building was run by the artisans. The present high demand keeps them in business but they are blocking a more efficient use of human resources. By setting a certain price pattern, they are also offering modern build-

ing companies with lower operational costs an opportunity for speculative gains. So far, the government has not succeeded in modifying unsatisfactory conditions in the construction industry, noted to be one of the last "Wild West" reservations of the free enterprise system in France.

Whether the "active planning" system of the present regime can be considered one of its major achievements is open to discussion.¹⁰ The believers in planning maximize, and its opponents minimize, the causal relationship between the Plan and the prosperity. Some even find it remarkable that the French economy maintains its high prosperity in spite of the Plan and give credit for it mainly to French ingenuity in the use of their popular "Système D," the art of improvising solutions in confused situations.¹¹

The present regime deserves credit for bold reforms in agriculture, which are opening the prospects of rentable operations to farm enterprises and of a decent remuneration to the peasants for their work. The closing of the wide gap between the incomes of the urban and rural population should eliminate the main cause of tensions between the two groups and increase social cohesion in the national community. The regime's support of the progressive young elements in the professional organizations—such as the manufacturers' Patronat or the landowners' F.N.S.E.A.¹²—

(Continued on page 303)

¹⁰ One such interesting discussion took place at a meeting of the Académie des Sciences morales et politiques in Paris and was reported in *Le Monde* of July 3, 1963.

¹¹ "Système D" comes from the word "se débrouiller." Laurence Wylie in his study *"Social Change at Grass Roots"* (published in the collection "In Search of France" by the Center of International Affairs of Harvard University) defined the "Système D" as follows: "The Système D consists of any devious and usually ill-defined means by which an individual can take initiative in spite of the restrictions imposed on him by society."

¹² Stands for Fédération nationale des Syndicats d'Exploitations agricoles.

Vaclav E. Mares, native of Czechoslovakia, came to the United States on a diplomatic mission for his native country after World War II. In 1948, he resigned from government service and joined the faculty of the Pennsylvania State University where he has been teaching ever since in the area of international economics. Last spring and summer he directed the Penn State Study Program at the University of Strasbourg, France, and participated in the summer program arranged there for the Free Europe Scholarship students. While on these assignments, he studied the regional development policies of the Common Market countries.

Although "there is no doubt in Germany that the E.E.C. will survive and develop further," there is in Germany a "critical attitude toward the Common Market on economic grounds [which] is undoubtedly due to the fact that the political goal of European unification . . . has now been so radically questioned by General de Gaulle."

Germany and the Common Market

BY WOLFE W. SCHMOKEL

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THE QUESTION of the future of Europe, and especially the European Economic Community, will be largely determined by German attitudes and policies. Germany is not only the indispensable geographical keystone of the kind of "minimal Europe" that the E.E.C. represents, but also contributes a disproportionate share to the economic strength of the Common Market. Its population is the largest of the six member states; it produces 53 per cent of the hard coal of the Community; 42 per cent of its raw steel; nearly half of its motor vehicles. It leads the Community in the amount of new construction; it is its largest power consumer.

On the political side, the government of the Federal Republic has generally shown itself more willing to make economic concessions and sacrifices to its partners than any other member state. Without this willingness such achievements as the inauguration of a common agricultural policy in January, 1962, or the ratification of association agreements with the former French colonies in the summer of 1963, probably would have been impossible. There can be no doubt that a European Community without West Germany could not exist as a viable entity.

It is fortunate, in view of these facts, that the principle of European co-operation underlying the institutions of the E.E.C., the Coal and Steel Community and Euratom have

rarely been questioned in the Federal Republic. Approval of the European course of the Adenauer government has united hard-headed businessmen and idealists dreaming of a grand design of the European federal state, socialists and capitalists, as well as followers of all three major political parties. Only recently has it become clear that this general support has sprung from a variety of motives, not all of which are easily reconcilable.

Part of this unanimity of public opinion on the Common Market can be ascribed to the simple fact that the E.E.C. seemed to be economically successful: West Germany has, within its framework, continued to prosper to an unprecedented degree. In the first three years of the Common Market's operation the West German gross national product grew at an average annual rate of 5.7 per cent; its industrial production increased by 8.9 per cent. This growth, comparable to the growth rate of the Community as a whole, was more rapid than that of the other member states, except for Italy and the Netherlands. Reckoning on a per capita basis, the Federal Republic had the highest growth rate of any E.E.C. member. The Community thus was seen to produce favorable results. All the arguments put forward in the debates that preceded its creation—the favorable effects of a market of 170 million consumers, the large-scale economics of production that it

would allow, the advantages of specialization—seemed to be borne out.

But even such groups as the German farmers, for whom the first steps to a unified European agricultural policy are more of a threat than an opportunity, have not openly blamed the Community for their difficulties or demanded a revision of the European course of the government. Instead they have sought to influence the policies of the Community as a whole to take account of their problems. Farmers have reacted sharply against all Bonn moves that seem to endanger their subsidized special position within the economy. The steel industry, too, has problems—it is now working at about 80 per cent of capacity, as compared to 97 per cent in 1960—that are caused partly by increased competition from the other steel producers in the E.E.C.

THE GOAL OF POLITICAL UNION

To understand fully the all but unanimous support enjoyed by the E.E.C. in the Federal Republic it is necessary to take account not only of the economic, but of the political aspect of this ambitious enterprise in European co-operation. It is well to remember that the E.E.C.'s forerunner and "pilot model," the European Coal and Steel Community, originated as an answer to the essentially political problem of how to harness Germany's newly emerging industrial might for the good of the whole continent. The attempts to create a European Defense Community and a political community were abortive steps on the same road. They enjoyed a large measure of support in Germany, where European Union in the early and middle 1950's became an ideal especially attractive to German youth, a way to "escape forward" from the shame of Hitlerism into a "New Europe" which would bury once and for all the rival nationalisms of the past and furnish a bright, new and proud identity for all Europeans. With the defeat of the E.D.C. in the French parliament and

the ever more obvious uselessness of the Strasbourg Assembly and the O.E.E.C. (Organization for European Economic Cooperation) as platforms from which to build ambitious "Great European" federal union projects, much of this hope attached itself to the economic approach to European unity. This was first considered at the Messina Conference of 1955, and found its institutional expression when the Common Market was inaugurated in 1958.

In Germany, at any rate, the promise of the Rome Treaty to establish an "ever closer union" was taken very seriously. It was expected and stressed by all advocates of the Common Market that an interdependent economy would inexorably create the necessity for political union, that the demands of an integrated market for an integrated social and tax policy (already provided for in the Rome Treaty) must necessarily have further political consequences. In short, the Common Market was "sold" to the German public primarily as an indirect route to the same political goal that had been the aim of the ill-fated E.D.C. and the Political Community.

THE EUROCRATS

Among the "Eurocrats," the executives of the Economic Community, a similar view prevailed: Professor Walter Hallstein, President of the E.E.C. Commission, referred to the E.E.C. as "one of the West's political conceptions," and frankly expressed his opinion that "building an ever-improving economy is not enough. The engine must be fueled with something vital, and that something is politics." He expressed his hope that Europe would eventually see "beyond what is politically possible under the Rome Treaty, which is our stepping stone," to a "New Europe" in an Atlantic partnership.¹

As a member of the German government, Hallstein helped to bring the Federal Republic into the Community. His view of its purposes, an essentially political view, has been widely shared in Bonn. For German statesmen the Common Market has been not only an engine for the creation of economic prosperity, but a way to a European

¹ Address delivered by Prof. Dr. Walter Hallstein, President of the Commission of the European Common Market, at Georgetown University, 12 April 1962.

future. In this way, Germany would find security and backing against the East, and the demand for German reunification would receive the energetic backing especially of France, which had often shown itself to be lukewarm towards this prospect. Above all, Germany would have friends. It was in this way, at least, that the idea of an integrated European Community was presented to the German public, for whom the necessity of the reunification of Germany remains almost a matter of faith. In reality, there has always been some question about the reconcilability of a "European" and a "German" policy, and this problem, too, has recently begun to be aired more openly as a result of a general re-examination of Germany's position vis-a-vis the E.E.C., which was set off by the events which led to the rejection of Britain's application for membership.

General de Gaulle's famous press conference of January 14, 1963, and subsequent events suddenly threw into sharp relief a basic difference in the views on the purpose and nature of the E.E.C. held by General de Gaulle on the one hand, and by most Germans on the other. This divergence extends to economic realities and aims, as well as to the underlying political conception. It has been latent in the structure and objectives of the E.E.C. from its inception.

Economically and politically, the Common Market was conceived to be a unifying factor, drawing together in a Customs Union the six member states, and removing among them barriers to the free movement of capital and labor, as well as goods. Eventually a true economic union was to be created. Any organized body, whether composed of individuals or of national economies is, however, by definition also exclusive. This element is present in the E.E.C. in its common outside tariff, which for the traditionally free-trade minded countries among its members, notably Germany, will eventually be higher than their existing tariffs.

The current debate in Europe revolves around this basic dilemma. On the one side

are those countries and individuals, led by General Charles de Gaulle, who conceive of Europe as an end in itself, a powerful, largely self-sustaining economic and political group, able to some extent to pursue its own course in the contest between East and West. On the other side are those who look beyond the "Little Europe" of the Six, toward an Atlantic Community and an interdependent world economy. The disagreement over the admission of Great Britain, by tradition and economic structure a free-trade, outward-looking country, was only one expression of this basic conflict.

The difference between the two conceptions can be seen by comparing a German view on the purpose of the Market with a French one. The *Düsseldorfer Handelsblatt*, a mouthpiece of Ruhr industry, explained that the benefit of an economic union lies in the creation of a larger market for all goods, including goods from "outside." The enhanced opportunity for third countries to sell their products in turn must have favorable effects on exports from Germany. The *Handelsblatt* disapprovingly quoted a French view to the contrary. In a debate on the future of the E.E.C., M. de la Malene said before the European Parliament in Strasbourg:

We want to create economic co-operation in the EEC, to be the basis for a political union of Europe, but not for a world trade system, which, for example, would bring about better sales chances for goods from Pakistan.²

Ludwig Erhard, always less in concert with French policies in this regard than Konrad Adenauer, once characterized the French view expressed here as "European incest," an "economic absurdity."

REALITIES OF GERMAN TRADE

Behind this disagreement are economic realities. West Germany is by far the largest trading nation of the Six. It is the third largest importer and the second largest exporter among the nations of the world, accounting in 1962 for 10.8 per cent of world exports. The degree to which German prosperity is bound up with world trade can be

² Quoted from *German Tribune*, Hamburg, 2 March 1963, p. 11.

indicated with a few figures: In 1960, 15.1 per cent of the value of German industrial products went abroad. The chemical industry sold 23.4 per cent of its output outside Germany, the machine-tool industry 29.4 per cent, the shipyards 48.6 per cent, the automobile industry 35.6 per cent. These figures, by and large, would still obtain today.

Of German trade, moreover, a disproportionately large share is with countries outside the Common Market. The United States is Germany's leading trade partner with respect to both imports and exports. Germany's trade with the countries belonging to the European Free Trade Association—mainly Great Britain and Scandinavia—has remained very nearly as large (ca. 30 per cent) as its trade with the E.E.C. partners. By comparison, France does only about 13 per cent of its trade with the E.F.T.A. (European Free Trade Association) bloc. Finally, the increase of German exports to the countries within the European Community has been disappointingly small.

These facts indicate the difficulty. Germany stands to lose a good deal of the foreign trade upon which her prosperity depends if an "exclusivist" policy is adopted by the Common Market, making it impossible for other countries to continue selling their goods to the Federal Republic. Nor would such a policy harm Germany alone. The figures for 1962 which showed a decline in the share the underdeveloped world had of the trade of the E.E.C. tend to bear out the criticism of some of these countries, which regard the Common Market as a rich man's club. Surely, any policy which would make it more difficult for these raw-material producing areas to earn the foreign exchange they need to build up modern economies is disadvantageous for the world at large. With regard to the labor market, the same problem exists. At a recent meeting of the German National Chamber of Commerce the Market's objective of abolishing all hindrances to the movement of workers was endorsed, and with the proviso that no barriers be set up against the influx of "foreign" workers into the E.E.C.

Another structural difference between the

German economy and the economies of her partners, which has given rise to tensions within the E.E.C., lies in the agricultural field. The Federal Republic has the smallest farm sector of any national economy within the E.E.C., with the exception of Belgium. Agriculture contributes only nine per cent to the gross national product. Within Germany, there has been a good deal of agitation against the continuation of heavy subsidies and protection for this small segment of the economy, which maintains its privileged position only through the great political importance the farm vote has for the ruling Christian Democratic Union. In the Community at large, however, agriculture is far more important, and there is no prospect that those who favor a more liberal agricultural policy will be able to prevail. The tendency has been in the opposite direction. Germany, which had followed a reasonably liberal policy on imports of non-staple agricultural products, such as poultry and eggs, was pressured by her partners to accept a higher E.E.C. tariff on these foods, much to the sorrow of American chicken farmers.

FOREIGN AID ISSUE

Another aspect of the dispute between the "inclusivist" and the "exclusivist" views of the market involves the field of foreign aid. France, which contributes the lion's share of the national budget of many of its former African possessions, naturally would like some of this burden to be assumed by her Common Market partners. The Common Market's development fund, reserved for Associates of the E.E.C. (i.e., primarily French-speaking Africa) is a step in this direction. More important, however, is the privileged trading position enjoyed by the Common Market Associates at the expense of other raw-material producing underdeveloped areas. It is feared in Germany that traditional trade connections, especially with Latin America, will suffer under this system. In its own development assistance programs Germany has refused to give specially favorable consideration to the E.E.C. Associates. The ratification of the new Association agree-

ments last summer was generally considered a major concession to French interests.

Mild doubts about the E.E.C. have been more frequently expressed in Germany this year because of the noticeable flattening out of the curve of European economic progress. For Germany this has meant that the growth rate of its gross national product has declined from 5.7 per cent in 1961, to 4.1 per cent in 1962, to an estimated 3.5 per cent in 1963. Export growth in 1962 amounted to only 3.9 per cent, compared with 4 per cent for the United States, 3 per cent for Great Britain, and only 2 per cent for Germany's E.E.C. partner, France. These figures are even more significant when it is noted that while German trade with the Common Market partners grew by 11.3 per cent, its trade with the underdeveloped countries actually declined. Today the question is more frequently raised whether economic progress since 1958 can actually be attributed to the Common Market, or whether it was not simply a continuation of the German "economic miracle" which began in the early 1950's, and to which free trade policies are generally considered to have greatly contributed.

CRITICISM OF THE E.E.C.

Much of this somewhat more critical attitude towards the Common Market on economic grounds is undoubtedly due to the fact that the political goal of European unification, for which even some economic sacrifices and concessions were thought to be worthwhile, has now been so radically questioned by General de Gaulle. At the beginning of the year there was a good deal of misunderstanding in the United States regarding the German position on this point. German public opinion, and most of the government as well, wanted British membership. The conclusion of the Franco-German treaty, almost simultaneously with the break-off of the Brussels negotiations, beclouded this difference between the Federal Republic and France.

³ "Deutschland-Frankreich in Jahre 1963," *Aussenpolitik*, No. 3, 1963.

⁴ *German Tribune*, Hamburg, Feb. 2, 1963.

In reality this action was never meant to imply approval of French policy as regards Great Britain (and the United States). The fact is that the aim of German foreign policy for the last decade has been to make as many friends as possible. This put the Federal Republic into its rather embarrassing position of last winter. "The aim of the Germans," wrote Max P. Hägele in the excellent periodical *Aussenpolitik* of March, 1963,

not to break with anyone and not to make a decision springs from several motives. The time in which the Germans had broken with the whole world does not lie far in the past. The policy of "this as well as that" is therefore understandable to some extent. . . ."³

Nevertheless, Germany's own economic and political interests clearly favor an outward-directed European conception and indicate that if a ". . . choice were imposed upon [it], the German nation could only decide in favor of the United States."⁴ This was true even during the chancellorship of Konrad Adenauer, who was inclined to go further to maintain close co-operation with France than anyone else in the government of the West German Federal Republic.

Ludwig Erhard also differs with the French view of the E.E.C., and indeed with the policy of the Commission of the Common Market itself, on one other essentially economic point. Ludwig Erhard is a champion of classical free enterprise, with a minimum of government interference and planning. He undoubtedly feels that the success which attended German economic reconstruction, carried out under this philosophy, is a proof of his theories. He consequently favors an E.E.C. policy based not only on a maximum of free trade with outside countries, but also on a liberal economic regime within the Community. He has therefore strongly opposed all steps designed to make the Commission of the E.E.C. into an economic planning agency. This view clashes with that of the father of European economic integration, Guy Mollet, whose own experiences as the architect of French post-war recovery confirmed him in his belief in the wisdom of economic planning.

The purposes of the E.E.C., as Erhard sees them, are essentially passive. The Common Market, according to him, is to

... assure full freedom of competition, prevent the abuse of economic power, give full rein to the free formation of prices, and to control, in particular, the increasing influence of the government and state upon the economy. To achieve that no planning programs will be required, but clear, basic concepts of the kind of economic order desired.⁵

Essentially the same position has also been taken by the *Deutscher Industrie-und Handelstag*, the National Chamber of Commerce.

The controversy over planning throws an interesting light on the position of the major German opposition party, the Social Democrats (S.P.D.), with regard to the E.E.C. Socialists have always supported it, but it is clear that they and their brother parties in the other members states would give a different context to its policies, if they should come to power. The S.P.D. favors an "open" E.E.C. even more definitely than the present rulers of Germany. It insisted on clarification of the Government's attitude towards ties with Britain before approving the Franco-German treaty. On the planning issue, it would of course take a view different from Erhard's.

The French view of the Six as a closed community, dealing independently with East and West, has relatively few supporters in the Federal Republic. There are some "All-Germans," who put German reunification ahead of all other policy considerations and who feel that this might somehow be achieved under General de Gaulle's vague concept of a "Europe from the Atlantic to the Urals." There is the small group of neutralists, supporters of the idea of "disengagement," who hope that a Europe constituted as a "Third Force" between East and West could withdraw from the cold war. There are some nationalists who consider that German influence could be more effectively asserted within the

closed Community of the Six than in a wider Atlantic alliance. Finally, there is a far larger but ill-defined and politically ineffective and inarticulate group for whom the bloc of the Six evokes some kind of vague, sentimental, historical memory of the Empire of Charlemagne.

All of this is of very little political significance. The undoubted popularity of General de Gaulle in Germany for most people has nothing to do with approval of his European policy but is based on the enthusiasm with which his idea of Franco-German reconciliation has been received in the Federal Republic. Most Germans see no connection between this reconciliation and the other problems we have discussed.

Despite the crisis over its political implications, and despite some of the economic misgivings we have mentioned, there is no doubt in Germany that the E.E.C. will survive and develop further. Already a beginning has been made in healing the wounds inflicted at Brussels last winter. German insistence was instrumental in persuading de Gaulle to approve of consultations between Great Britain and the Common Market Commission. The ties that exist through O.E.C.D.,⁶ the European Monetary Agreement, the Western European Union, as well as the joint economic study groups and other forms of economic co-operation between the Six and their Atlantic partners, strongly suggest that the "open" concept of the Market, as supported by West Germany, will eventually prevail. The German government and a great majority in that nation would agree with Professor Hallstein that the Europe of the Six cannot be an end in itself:

Today, the much broader significance of the European Community is unfolding. With the creation of a strong Europe, a new initiative passes to the West and we can talk in meaningful terms about an Atlantic partnership.⁷

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⁵ *German Tribune*, Hamburg, Jan. 12, 1963.

⁶ Organization for Economic Cooperation and Development.

⁷ Address delivered at Georgetown University on April 12, 1962.

The Common Market "brought to Italy benefits proportionately greater than to the other members, because the Italian economy entered the Market with a more defective allocation of resources . . . and consequently had further to go before reaching the area of full employment and of the optimum organization of production."

Italy's Stake in the Common Market

BY BRUNO FOA

Author of *Monetary Reconstruction in Italy*

ITALY PLAYS by necessity a major role in the European Economic Community, by reasons of geographical position, size (116,000 square miles out of a total of 449,000 square miles for the entire Community), population (50 million out of 170 million), and annual level of gross national product (nearly \$40 billion out of a total of \$200 billion). Her role reflects naturally the promotion of certain specific national interests. Fortunately, she also identifies the latter, in their broad sense, with the pursuit of long-range policies that coincide with the enlightened interests of her partners and of the Atlantic family of nations as a whole.

Consequently, what Italy has at stake in that great venture is no more and no less than the cause of an expanding and "outward looking" European Community, free from domination by any of its members, unified to the greatest possible degree at all levels, trading and working closely with the United States and the rest of the free world. By the same token, Italy is bound to reject the concept of the Community as a separate bloc, and as a purely continental system. Italian interests have all to gain, and nothing to lose, by the admission to the Community of Britain, and by continued close political and economic cooperation with the United States.

What is equally important, the Commu-

nity is not looked upon as a vehicle for the exercise of power politics—by Italy or any other member of the group—or for the promotion of autonomous national interests. As far as Italy is concerned, what is at stake in the success of the Common Market is not some nebulous abstraction but the further development of the postwar economic revolution of which the E.E.C. is a product, and hence of trends which are of direct and tangible benefits to most Italians, in terms of jobs, opportunities, productivity, levels of income and living conditions.

The movement in the direction of European economic and political unity found strong support in Italy in the immediate postwar period. It had a natural appeal to the nation's political and intellectual élites, on many grounds, for it could be traced back to Mazzini's dream of a young, free and republican Europe; it involved a healthy revulsion against the aberrations of nationalism; and fitted neatly into a pattern consonant with the restoration of self-respect and of some measure of influence in international affairs. Consequently, the "Federalist" movement was actively sponsored by the late Alcide de Gasperi, who was the respected leader of the dominant Christian Democratic party during the critical years of reconstruction of the late 1940's and early 1950's, and by the late Count Carlo Sforza, who was de Gasperi's

Foreign Minister and heir to a political philosophy and tradition bordering on anticlericalism. To this day it is an ideal shared, despite some difference in connotations, by most of the young political figures who have come into their own during the 1950's.

Unquestionably, public opinion in Italy would have endorsed a more direct and dramatic approach toward unity, especially in the political field, than the one involved in the pragmatic route of the Schuman Plan and of the European Economic Community. Be this as it may, successive Italian Governments were prompt in seizing all opportunities along the road of close European co-operation and ultimate integration. Italy joined the European Coal and Steel Community from its inception (1950), plugged vigorously for the abortive plan of a European Defense Community, and played an important part in the long and tormented negotiations which culminated in the agreements reached at Messina in mid-1955, the substance of which became eventually embodied in the Treaties of Rome of March, 1957, establishing the Common Market and Euratom.

The first five years of operation of the European Economic Community coincided with the high-water mark of the economic revolution which swept over Western Europe after 1948, and which had its roots in an unprecedented investment boom spurred by United States aid and by the "demonstration effect" of the American economy. Nothing short of an economic revolution could have linked together national units of different size and maturity, which had been long accustomed to viewing each other in terms of rivalry rather than of complementarity.

In Italy, as elsewhere in Europe, that revolution entailed a unique combination of dynamic influences, including a rapid increase in agricultural and industrial productivity and the "acceleration" effect of a high *rate* of investment with the "multiplier" effect of high *levels* of consumer expenditure. It brought about a significant degree of equalization, throughout Western Europe, in methods of industrial and business operation, in

patterns of investment and of consumer expenditure, and it got a further powerful impulse from the policies of foreign exchange and trade liberalization which were followed more or less in step by West Germany, Italy and France.

Thus the European Common Market owed much of its initial momentum to the economic revolution from which it stemmed, and in turn it influenced the course of the latter in many significant ways. It brought to Italy benefits proportionately greater than to the other members, because the Italian economy entered the Market with a more defective allocation of resources entailing lower average levels of product and income per person and consequently had further to go before reaching the area of full employment and of the optimum organization of production.

A CENTURY OF EVOLUTION

Italy's entry into the European Common Market, on January 1, 1958, capped a long and tortured century of economic evolution, which began with the nation's unification in 1861. Throughout most of that century the average increase in the value of the gross national product probably did not exceed one per cent per annum (even less on a per capita basis). There was only a brief period, from the turn of the century to the outbreak of World War I, when a favorable combination of circumstances largely linked with the expansion of the international economy lifted the average rate of growth to perhaps three per cent per year. At most other times the statistical picture, and to a large extent the realities behind it, were pretty dismal.

Yet a vast ferment of progress was under way, especially in Northern Italy, where industrialization and the entire economic and social environment made great strides. The national averages, in fact, the conditions of a majority of the Italians, were weighed down by the overpopulation, chronic neglect and near-stagnation of the depressed areas of the South, including the great islands of Sicily and Sardinia. "Dual" configuration became typical of the Italian economy, that is, the existence side by side of patches of advanced

and industrialized economy and of large "wastelands" of semi-primitive economy, in agricultural or manufacturing operations¹. Despite setbacks traceable to the great depression and to the fascist policies of autarky, an industrial base of impressive size was in existence prior to World War II, but it was too slender to support a truly modern, low cost industrial structure and to generate the "thrust" necessary to uplift the national economy as a whole.

Against this background, the significance of the breakthrough which occurred after the war, and which created the pre-requisites for Italy's participation in the Common Market, can be easily appreciated. Viewing the developments of the entire 15-year period from 1948 through 1962 (hence including the first five years of the Common Market), it can be seen that the performance of the Italian economy was sensational in terms of its past history, and impressive when compared with parallel developments in the Common Market area as a whole. The average annual rate of expansion was almost 10 per cent for industrial output, 6 per cent for the gross national product at constant (1954) prices, and almost 5 per cent in real income per person. Thus, with due allowance for the uncertainties attendant upon inter-temporal comparisons of national gross product figures, 15 years of postwar progress matched, and possibly even left behind, the gains accumulated by the national economy over an entire century. It should be recognized though that such advance would have been impossible except for the foundations slowly and painfully laid up by successive generations.

Even more remarkable was the increase in foreign trade, with the value of imports increasing almost three times during the ten years from 1952 through 1962, and with an even bigger increase in the value of exports. This confirmed the extremely high degree of correlation which had been apparent in earlier years between Italy's foreign trade and her

rate of growth. One additional powerful influence was the Common Market, and this can be inferred from the fact that the two-way expansion of foreign trade became particularly massive after 1958.

Italy also did very well in comparative terms, for her annual average increase of six per cent in GNP at constant prices for the period 1950-1962 was far ahead of the average (4.3 per cent) for the area as a whole, and somewhat higher than the rate of increase scored by West Germany and France. Italy moved ahead particularly during the six-year period from 1957 through 1962, when industrial production went up on the average 9.9 per cent in Italy, 6.2 per cent in Western Germany, 6 per cent in France, 5.4 per cent in Holland, and 6.7 per cent for the entire European Community area. Even outside that area, and with reference to all countries of the free world which make major contributions to industrial output, Italy's performance was the second highest, exceeded only by the 14 per cent per annum increase scored by Japan.

FOREIGN TRADE

The effects of the Common Market system, which in many areas overlap those of the investment revolution of Western Europe, and related repercussions, can be singled out and identified separately in the area of foreign trade. The pertinent statistics show that during the first five years of the E.E.C. there has been a growth of almost 100 per cent in the intra-market imports of the six member countries, as compared with a growth of 36 per cent in the imports of the area from third countries, and of 30 per cent in the exports of the area to third countries. Italy has been by far the main beneficiary of that development, for she managed to expand her trade with the area sensationally with an increase close to 300 per cent. This occurred concurrently with a vast, if much smaller, increase in trade with countries outside the Community.

Italy's imports increased from \$3.2 billion in 1958 to \$6.1 billion in 1962, up \$2.9 billion. Her imports from the area increased from

¹ Cf. Vera C. Lutz, *The Growth Process in a "Dual" Economic System*—Banca Nazionale del Lavoro, *Quarterly Review*, September, 1958.

\$694 million to \$1.9 billion, up \$1.3 billion, somewhat less than 50 per cent of the total increase. Italy's exports also increased from \$2.6 billion in 1958 to \$4.7 billion in 1962, up \$2.1 billion. Her exports to the Community increased from \$613 million to \$1.6 billion, up over one billion dollars, again about one-half of the total increase.

Relatively speaking, there was a very vast displacement effect in Italy's trade with different foreign areas. Between 1958 and 1962, Italy's imports from the E.E.C. area increased from 21.4 per cent to 31.1 per cent of the total, while those from the European Free Trade Area went down from 18.4 per cent to 15.9 per cent of the total and those from the United States from 16.3 per cent to 14.5 per cent. In the same period, Italy's exports to the E.E.C. expanded from 23.6 per cent to 34.8 per cent of the total, while those to E.F.T.A. dropped from 22.1 per cent to 20.5 per cent of the total and those to the United States from 9.9 per cent to 8.4 per cent of total exports. Yet this comparative displacement of trade channels did not involve beggar-my-neighbor effects, since it coincided with a sizable expansion of the nation's foreign trade as a whole. This was the hub of the matter, and the significance of that experience for the future.

BENEFITS OF COMPETITION

The figures just quoted suggest also that the impact of the E.E.C. on the foreign trade structure of Italy was roughly similar, during the first five years, with respect to exports and imports. This was a remarkable accomplishment, considering that Italy's tariff duties at the inception of the E.E.C. were on the average the highest of the group, and that consequently (under the levelling off mechanism of the Rome Treaties, moving in the direction of the arithmetic average of the member's tariffs on industrial products) the system entailed comparatively greater downward readjustments for the Italian industries². But the fact is that the beneficial

effects of an increasingly competitive climate were prompt and pervasive, against the combined background of massive investment in modern plants and equipment and of rapidly expanding domestic and foreign markets.

By way of example, a contrast might be drawn between the inefficient and high-cost prewar structure of the Italian steel industry (the output of which barely exceeded 2 million tons per year before the war) and its present-day configuration, involving more than 10 million tons of output per year at fully competitive international prices, which originated from the imaginative plan associated with the name of the late Oscar Sinigaglia. Many doubts were heard when Italy joined the Schuman Plan in 1950; yet the challenge of complete exposure to low-cost competition from Luxembourg, France and other European sources which occurred with the removal of inter-Community duties on steel in 1958 was met with complete success. Moreover, as soon as it became apparent in the early 1950's that some degree of European industrial integration was bound to occur, new investment in most major lines of production became geared to the prospects of more competition within the context of bigger markets, and consequently to larger scales of output at lower costs per unit. This trend became particularly strong in the production of automobiles, home appliances and other "durables," and resulted eventually in large and at times dramatic price cuts, paralleling the corresponding evolution undergone by the American economy during the 1920's, and again in the 1950's. Since the tendency operated all over Western Europe, it worked both ways, stimulating in turn, within each E.E.C. member, exports and imports.

As far as Italy was concerned, it led to vast increases in exports of automobiles, refrigerators, and so on, to other E.E.C. countries, followed by sizable increases in corresponding, and in some cases identical, lines of imports. Much attention was attracted recently by the enormous expansion in the exports of refrigerators to France by West Germany, and above all by Italy, with related drastic falls in prices which in turn forced a formerly

² As of July 1 of this year the internal tariffs of the E.E.C. countries on industrial products were reduced to 40 per cent of their 1957 levels.

inefficient and highly protected local industry to modernize.³ In turn, some grumblings are being heard now in Italy due to the growing level of automobile imports from other Community countries. Altogether, it would appear that in many segments of industrial production the old pattern set by the protective policies of the past and the limitations of each domestic market are beginning to disintegrate. This is also helped by the fact that most new investment programs, domestic and foreign, are planned and implemented on the Community level, rather than nationally or locally.

The E.E.C. of course stimulated a large flow of foreign industrial and also financial investment into Italy. By the end of 1962, private direct foreign investment was estimated at some \$2.2 billion (as against \$567 million at the end of 1959), and foreign financial investment at some \$1.3 billion, as compared with \$533 million at the end of 1959. It is very difficult to trace back the actual ownership of foreign investment by country of origin, considering the great role played by tax shelters. At the end of 1962, almost two-thirds of the foreign industrial investment and well over one-half of all financial foreign investment was registered in the name of Swiss and Lichtenstein investors. Italy accounts for about 15 per cent of United States direct investment in the Common Market. The main productive segments, which attract United States investment are petroleum and manufacturing. Altogether, and always with reference to the end of 1962, private foreign investment in Italy is concentrated mainly in the chemical industries (\$683.6 million in the total), in the metal and mechanical sectors (\$732.6 million), in textiles (\$278.4 million), petroleum (\$106.4 million) and other sources of power (\$277.9 million). In recent years, Italy has developed in turn a significant outflow of industrial investment, which totalled a little over one billion dollars at the end of 1962. Only about one-fifth of that total has been, however, channeled to other E.E.C. countries.

Where does the Italian economy stand at this stage? In which respect and to what extent is its further progress linked to the future of the Common Market? This is not difficult to see at least in terms of broad goals and principles. For it is clear that, despite her recent tremendous advances, Italy finds herself still in the middle of a vast and difficult process of change. Her gains have been enormous, and their cumulative impact in recent years—particularly since the E.E.C. was established—has been such as to make at last a major dent on the nation's previously intractable structural problems. There has been a gigantic exodus from the farms, a related massive flow of internal migrations, largely to the great industrial urban centers of the North, and a drastic fall—from over 40 per cent to some 28 per cent in less than a decade—in the proportion of the total labor force employed in agriculture. The trend away from the farms is now reaching its full force—agricultural employment goes down at present at the rate of some 300,000 persons per year, equivalent to 5 per cent of the total.

ITALY'S PER CAPITA PRODUCT

Thus far, the occupational shift to industries and services has been rapid, and successful. There is no certainty, however, that this ease will continue indefinitely. While it is certain that there is still a vast excess of agricultural manpower, its ratio to total employment should drop down to approximately 10 per cent to bring about an allocation comparable to the one which obtains in other advanced countries, within and without the E.E.C. area. Until that goal is reached, it will be difficult for Italy to catch up with the level of product and income per head of her E.E.C. partners. In 1959, the average per capita product, adjusted so as to reflect the different purchasing power of national currencies, was estimated at \$870 per annum in Italy, as compared with an average of almost \$1,400 for the rest of the area.

It is very encouraging to know that during the past five years the back of the chronic unemployment problem which hitherto plagued the Italian economy has been broken.

³ Cf. European Community, July–August 1963, No. 64, p. 6.

The average number of unemployed has fallen to some 800,000 persons, representing some 3.5 per cent of the total labor force. This was an accomplishment that went even beyond the expectations, which were thought unduly optimistic in their time, of the Vanoni "plan" of 1952-1953. But there remains the vast margin of "under-employment" identified with the surplus manpower that still clings to sub-marginal farming. Its future absorption into the productive stream of the nation's economy will call for continued high annual rates of growth. This latter requirement is essential also to expand and consolidate the gains which have been made in bringing about a rate of development in the south roughly equal to the one attained in the north.

Economic conditions in the south have improved substantially, due to some fall in birth rates and massive migrations to more advanced regions, and as a result of a massive public investment program which has been in effect for some 15 years. This program has been very successful also, within limits, in creating suitable conditions for the growth of private and industrial investment. There is much unfinished business all around, and there is also a huge backlog of social and human costs attendant upon those changes, which require vast outlays in infrastructures (housing, city planning,) and also in welfare and other "transfer" payments. In Italy, as elsewhere in Europe and throughout most advanced nations of the world, there is also a farm problem of vast dimensions and ramifications.

THE COMMUNITY'S EFFECTS

The European Common Market and the policies of the European Community have not in the past made contributions having a direct measurable effect upon the solution of Italy's structural problems. Yet it is evident that their effect on the all-around rate of development of the nation has been immeasurable. Major contributions in the same direction are also traceable to sound basic economic policies at home, particularly the maintenance of monetary stability and the

steady pursuit of trade liberalization. At the present time, large clouds loom both on the domestic and the Community picture. During the past two years Italy, in common with West Germany and France, was exposed, for the first time since the Korean war, to strong pressures upon the price and wage structure. The latter reflected in part necessary and on the whole beneficial adjustments, but also went beyond the limits set by the increase in productivity and acquired a limited but definitely inflationary connotation. In addition, the Italian economic picture was also clouded by the nationalization of the electric power industry and its repercussions upon the capital markets.

Throughout the E.E.C. area there is some levelling off in economic growth which probably goes further than one could expect with reference to a state of near-full occupation. Then, there is General de Gaulle, and there are disquieting signs of a crisis in United States-E.E.C. relations over agricultural policies and over the round of tariff negotiations scheduled for 1964. Italian attitudes in the E.E.C. organizations have been invariably sound on matters of high principle while tainted with a hard-core residuum of parochialism and protectionism at what

(Continued on page 303)

Bruno Foa, an Italian born economist, has been practising for many years as a consulting economist in New York, specializing in the international field. In that capacity he was for many years an adviser to Italian government agencies in this country, and more recently a consultant to the United Nations, which he served also as head of a Technical Assistance Mission to Somalia. A former full professor of economics in Italian universities, he has been associated in this country with Princeton, Yale (as visiting lecturer) and the Graduate School of the University of Pennsylvania (as visiting professor). During World War II, he worked in Washington in the Office of the Coordinator of Inter-American Affairs and later as an economist on the staff of the Federal Reserve Board.

Analyzing the position of the Benelux countries within the Common Market, this specialist asks: "Have the Benelux nations any role to play within the larger framework of E.E.C.? Benelux authorities and representatives of public opinion are eager to answer this question in the affirmative."

Benelux in the Common Market

BY F. GUNTHER EYCK

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NO NATIONS have a prouder and longer tradition in the forefront of West European economic and political integration than the three Benelux countries. Long before such organizations as the Coal and Steel Community, the Common Market, Euratom and others were formed, Belgium, the Netherlands and Luxembourg decided on economic association.

The groundwork for the Benelux Economic Union was laid when, under the impact of World War II, the three governments-in-exile hopefully prepared for the post-war era. On September 5, 1944, agreement was reached to form a customs union upon liberation from German occupation. Some initial difficulties were encountered because the Netherlands had suffered more than Belgium and Luxembourg from the Nazis in the closing months of World War II. However, the customs union functioned effectively by 1948.

Economic advantages soon made themselves felt. Moreover, such leaders as Jan Beyen in the Netherlands, Joseph Bech in Luxembourg, and Paul-Henri Spaak in Belgium planned on fuller association. Further economic integration was envisioned for the three countries that shared not only economic advantages but other common interests and background. The expansion of the customs union into an economic union in which there

would be completely free circulation of capital, goods, services as well as people, however, ran into complications.

One of the difficulties encountered was a difference in the fiscal structure of the Netherlands and the BLEU.¹ Another was the difference in economic systems, neo-liberal in Belgium and Luxembourg, and "dirigiste" (planned) in the Netherlands. Still a third difficulty was caused by the differing growth rate of industrial development, with the Netherlands rising rapidly from an inferior position while Belgium's productivity slowed down. In the early 1950's, relations between the two major parties in the projected Benelux union worsened to a degree where its future was in doubt. But good will and common sense prevailed. A gradual adjustment of the two economic and fiscal systems was undertaken and relations continued to improve. In February, 1958, the three governments were ready to endorse a treaty of economic union which became operative on November 1, 1960.

The mutual advantages stemming from economic union are no longer denied even by Belgian industrialists who had previously looked askance at Dutch competition in home markets. Between 1952 and 1962, BLEU imports from the Netherlands doubled, while Dutch imports from BLEU increased by no less than 156 per cent. Numerous Belgian industrial sectors have found in the Netherlands their most important external outlet.

¹ As early as 1921 Belgium and Luxembourg had concluded an economic union, the BLEU, which was initially to operate for 50 years.

Since 1958, the Benelux countries have acted as a commercial unit in dealing with other countries and have concluded over 20 commercial agreements. While certain differences remain in the fields of social legislation, fiscal structure and agriculture, the foundations of the economic union are so strong and its operation so effective that it is most unlikely to be broken up or reduced in the future.

SUPPORT FOR EUROPEAN UNITY

With their own economic union an accomplished fact and a proven success, the Benelux countries have become confirmed supporters of European integration movements and organizations. European integration is furthered not only by dedicated statesmen but by businessmen, professional people and increasingly by trade unions. Public support for European political and economic federation has been most widespread and affirmative for years among the Dutch people whose traditions of toleration as well as trade have provided some of the wellsprings of this attitude. In a 1951 public opinion poll, for instance, 71 per cent of the Dutch respondents were "very favorable" to a "close cooperation of European nations" and 43 per cent were "very favorable" toward a United States of Europe. Similarly, in a December, 1962, poll which included the question, "are you for or against the efforts to unify Europe?" no less than 87 per cent answered in the affirmative as against only 4 per cent in the negative while the remaining 9 per cent did not commit themselves.

The affirmative percentage is significantly higher in the Netherlands than in Belgium where it reached 65 per cent in the same poll. In the three Benelux countries, those who went on record as opposed to European unification remained between 4 and 5 per cent although in the case of the Luxembourg-

ers no less than 68 per cent failed to give an answer². The same 1962 poll revealed that one-third of the Dutch respondents thought that national economies could best be stimulated by the creation of a united Europe although the comparative figures for Belgium were a low 9 per cent.

Some 42 per cent of the respondents both in Belgium and the Netherlands expressed the belief that European unification would come about within 10 or 15 years. Generally, support for it was strongest among the most educated and wealthiest, and more specifically the industrial and professional groups. Dutch support among these groups was higher than Belgian on an average by about 15 to 20 per cent. The consistently lower Belgian figures can be explained in part by the differences between the two main population groups—Flemings and Walloons. The Walloons, who are ethnically, culturally and geographically close to the French, show more reluctance to subscribe to European integration than the Flemings, who have strong affinities with the Dutch. Forty-six per cent in the Flemish provinces thought that Belgium would benefit from the European Economic Community while the corresponding figure for the Walloon provinces was only 32 per cent. By contrast, Dutch opinion is about equally favorable in all 11 provinces of the Netherlands.

The interests which the people of the Benelux countries have in European integration are political as well as economic in character and are often difficult to separate. The Dutch Foreign Minister, Joseph Luns, has repeatedly stated that economic and political developments toward European unification are closely interwoven and has added on at least one occasion that "political integration is of paramount importance for Europe."³

POLITICS AND THE E.E.C.

The political struggle which has affected the member states of E.E.C. in increasing measure has two major aspects: the institutional character of the ultimate European polity and the admission to E.E.C. of new members such as Britain. As to the former,

² These polls are taken from the French public opinion quarterly *Sondages*, Number I, 1963, and are referred to again in other parts of this article. The editors explain the high percentage of non-committed opinion in Luxembourg by the absence of a polling service in the Grand Duchy.

³ Interview published by the *Morgenpost*, Berlin, on September 1, 1962.

et is basically between the "federalists" who prefer basic and comprehensive integration of political as well as economic institutions within E.E.C. and the "confederalists" who favor a loose association of sovereign states.

Among the present E.E.C. countries, the Netherlands has stood in the forefront of the movement for European federalization to the point where the amended 1953 Dutch constitution provided, under certain conditions, for a delegation of sovereign national powers to a supra-national authority. Of necessity, therefore, successive Dutch governments have strongly opposed Gaullist plans for a confederated Little Europe centered on a Paris-Bonn axis. Thus Dr. Sicco Mansholt, Vice Chairman of the Common Market Commission and long-time Minister of Agriculture, has warned repeatedly that it would be

extremely dangerous to participate in a mock display of political union which is really not a political union. What is being advocated . . . notably by France, represents a retardation or even retrogression.

To counteract such possibilities, Mansholt, Luns and other Dutch leaders have advocated a strengthening of such existing E.E.C. bodies as the Parliamentary Assembly and the E.E.C. Commission.

A CONTINUING CONTROVERSY

For several years the Dutch were the most vocal and resolute E.E.C. defenders of full-fledged political integration to match economic integration. Since the spring of 1962, they have been joined actively by their Belgian partners. In fact, Foreign Minister Spaak has become the most outspoken antagonist of French President Charles de Gaulle in matters of European integration.⁴ As early as May, 1962, he sharply criticized the French President for his favorite concept of a "Europe of the Fatherlands." Both the Belgian and Dutch foreign ministers have remained unalterably opposed to such French plans for the organization of a confederated Little Europe as those proposed by Christian

Fouchet, a close associate of General de Gaulle. The Fouchet Plan did indeed call for common political institutions and consultations by the E.E.C. countries but in the opinion of many Benelux statesmen it lacked truly supra-national character as well as a popular basis.

All attempts to foster such projects have been resolutely rebuffed by the Belgian and Dutch governments, often backed by public opinion. This was also the case when Chancellor Adenauer suggested in the fall of 1962 the possibility that the Big Three (France, Italy and West Germany) move ahead with political integration plans in the hope that once the foundations had been laid other countries would join.

BENELUX FEARS

It is precisely this kind of project which has aroused the sensitivities and anxieties of many Belgians and almost all the Dutch. Fear of possible domination by the Big Three or at least by France and the Federal Republic has caused the rejection of their proposals for a confederation. Luxembourgers have in some instances shown themselves less anxious over such possibilities. Thus Lambert Schaus, a member of the Common Market Commission, declared in a speech in May, 1963, that there were positive aspects of the Fouchet Plan which were of interest to Luxembourg. Likewise, Belgian right-wing groups whose mouthpiece is the conservative *Libre Belgique* have urged that Gaullist proposals be given a more positive hearing. Spokesmen for these groups have also criticized Spaak for his adamant opposition to de Gaulle and demanded that Belgium play a more conciliatory role within E.E.C.

Actually the veteran Belgian foreign minister tried on various occasions in the last 18 months to break the impasse. In July, 1962, he proposed the creation of a political commission, similar to the Common Market Commission, to act in an advisory capacity as an initial coordinating body to harmonize plans for the political association of the six E.E.C. countries. But de Gaulle has objected

⁴ See his most recent article in *Foreign Affairs*, July, 1963.

to such a supra-national commission on the ground that it would discuss military and political matters.

The ultimate deadlock between the opposing and seemingly irreconcilable views was reached only at the beginning of 1963 with the breakdown of negotiations over the admission of Britain to E.E.C. The Belgian and Dutch governments had for some time past made it clear that there could be no real progress toward further European integration unless Britain were admitted. The Dutch consistently advocated the inclusion of Britain within E.E.C. and backed the 1961 British application from the beginning.

This all-out support was partly due to a strongly felt need to balance French-German influences within the Six, partly to the traditionally close relationship between the Netherlands and the United Kingdom and partly to common economic interests. Foreign Minister Luns has been insistent on British admission to E.E.C. which he described in April, 1962, as "an indispensable factor for its stability." He indicated on this occasion that, once Britain joined E.E.C., French proposals for confederation could be reexamined although the ultimate goal of the establishment of a truly supra-national authority must not be lost.

At the same time, Spaak went so far as to state that Belgium would not sign any agreement concerning political unification until Britain had become a member of E.E.C. In the fall of 1962, the pragmatic foreign minister realized that negotiations for British membership would be protracted and that, moreover, some leaders of the British Labour Party were far from enthusiastic about economic, let alone political, integration. He then proposed separate negotiations on British membership and on political unification of the Six. But the two issues were too closely intertwined, as became evident in January,

⁵ A prominent Dutch businessman reportedly composed the following rhyme:

"Old King Gaulle was a clever old soul
And up to a number of tricks;
but despite what they say
at the Quai d'Orsay,
He could only count up to Six."

1963, when talks with Britain were ended.

The rupture of negotiations with Britain caused consternation in the Benelux countries. Bitter reaction directed mainly toward France was most widespread in the Netherlands and only somewhat less so in Belgium while Luxembourgers often took a more detached viewpoint. Dutch critical comments came from such varied quarters as labor and employer unions, the government and the public at large.⁵ Luns called the ending of the Brussels negotiations a "black day" and the government almost immediately threatened retaliatory action against France. Editorials in several important papers called for the continuation of talks with Britain, if necessary by the exclusion of France. The public opinion poll already quoted showed 52 per cent of the respondents for a Common Market with Britain but without France as against only 10 per cent favoring the reverse.

In Belgium, Spaak referred to a French *Diktat* which was entirely unacceptable to the other five E.E.C. partners. The Belgian Senate went on record in a rare show of unanimity with a resolution demanding British admission to E.E.C. and expressing "disquiet" at the prospect of a permanent imbalance caused by the possible dominance of France and West Germany. In some French-speaking conservative circles, however, France was less criticized than either Britain or even the United States. Britain was blamed for its initial aloofness toward European integration movements and the United States was held responsible for pushing Britain too hard toward E.E.C. Some of these arguments were also advanced in Luxembourg.

A NEW PROPOSAL

In the months that followed the rupture the Belgian and Dutch governments left nothing undone to facilitate a possible reopening of negotiations. In February, 1963, both governments proposed a draft program to associate Britain with the E.E.C. during the interim period when talks were stalled. While nothing came of this proposal, untiring efforts of Benelux, German and Italian officials resulted in an agreement in July,

1963. This agreement called for quarterly meetings between the E.E.C. and the United Kingdom through the instrumentality of the Western European Union. Opinion in the Benelux countries derived moderate encouragement from this palliative although Belgian and Dutch papers warned against "excessive rejoicing" since there was no indication that de Gaulle's policy toward Britain had changed in any way.

On the other hand, all recent utterances of such statesmen as Luns, Mansholt and Spaak leave no doubt that they are as insistent as ever on ultimate British membership in E.E.C.—and convinced that it will come about some day. The same men also expect that many other European Free Trade Association countries will join. In the case of Spain and Portugal, however, the Dutch have expressed serious reservations since the Iberian countries have non-parliamentary governments.

ECONOMIC PROGRESS

In contrast with the much frustrated political development of E.E.C., economic progress has been steady and, at times, astonishing. The Benelux countries, like their E.E.C. partners, have greatly benefited from this progress and never tire of proclaiming it. One-third of all commercial transactions of the Benelux nations involve the other E.E.C. countries. Although Italy and France, followed at a distance by West Germany, have benefited more from the intra-community trade since the Common Market came into existence, the Netherlands has increased its trade with the other five E.E.C. partners by 97 per cent and Belgium-Luxembourg by 68 per cent. Economic advantages have proved themselves so tangible that there has been no serious opposition from the Benelux countries, whose tariffs were the lowest in E.E.C., to a compromise tariff schedule which raised tariffs for the Benelux nations but reduced those of the other three partners.

The share of imported goods in current consumer purchases varies from 10 to 20 per cent in the Benelux countries but is considerably lower in the other E.E.C. member states.

Consumers in the Benelux countries, always more dependent than the larger countries on outside sources, have become the primary beneficiaries of the increased intra-Common Market trade. The 1958–1961 growth of personal income, although smaller than in the Federal Republic and in Italy, totalled about 15 per cent in the Netherlands and 10 per cent in Belgium.

DEPENDENCE OF THE BLEU

The BLEU has become increasingly dependent on its E.E.C. partners. In fact, this very dependence, while contributive to the present high levels of the economy, has occasionally been looked at with some anxiety. From the inception of the Common Market in 1958 to the end of 1962, BLEU exports to its E.E.C. partners rose by 78.5 per cent as against 11.4 per cent for exports to other countries. The total value of exports to E.E.C. countries rose from \$1.377 million in 1958 to \$2.458 million in 1962. In 1961, the E.E.C. partners accounted for 53 per cent of all BLEU exports and 51 per cent of BLEU imports, and in the first quarter of 1963 the share of exports to other E.E.C. countries rose to over 59 per cent of BLEU exports. One reason for the additional growth was the fact that BLEU could offer better delivery terms than other E.E.C. countries.

BENEFITS OF INTEGRATION

Among specific BLEU sectors which have benefited from integration within E.E.C. are the food industries which registered an export increase of 169 per cent since 1958; metal industries which rose by 119 per cent and glass industries by 117 per cent. The iron and steel industries have also prospered due to the integration into the Coal and Steel Community. Exports to other E.E.C. countries rose from slightly over 800,000 tons in 1952 to over 2,100,000 tons in 1962. The Luxembourg steel industry on which the economy of the small principality hinges profited greatly from E.E.C. Its production has increased since the operation of the Coal and Steel Authority in 1962 from three to four

million tons per annum. Over three-fifths of it is exported to other E.E.C. countries.

PROBLEMS OF COAL

On the other hand, the coal industry, once the anchor of the Belgian economy, has fared less well. Inaccessibility of seams and expenses of production have put the Belgian coal industry at a heavy disadvantage. In order to facilitate the closing of a large number of non-competitive Belgian coal mines, E.E.C. through the Coal and Steel Community provided special subsidies as well as grants for the retraining of unemployed miners.

The Belgian government, in turn, undertook to reduce coal production and mines. This reduction led to a drop of nearly one-third of the total Belgian coal production within ten years and the shutting down of numerous mines. Such drastic action caused considerable ill-feeling, especially among the unemployed miners of the Borinage region who demonstrated vociferously against E.E.C. Yet such important organizations as the Federation of Belgian Industries are aware that the amelioration in the Belgian coal industry, reintegrated into E.E.C. as of January 1, 1963, had to be largely credited to European integration processes and organizations.

The Belgian economy has benefited in other ways from E.E.C. membership. Not only has production been enlarged or more effectively rationalized but plant investments have increased proportionately. In the metal manufacturing industries, investment has risen between 50 and 80 per cent from 1958 to 1962. Investment in chemical industries has doubled since the inception of E.E.C. Belgium and Luxembourg have also benefited from the presence of the headquarters of such European organizations as the Coal and Steel Community in Luxembourg and the Common Market Commission in Brussels. The location of European organizations in these cities netted BLEU \$30 million in 1961. But perhaps the most telling of all figures are those mentioned here in conclusion. Belgium's active population amounts to 5 per cent of the E.E.C. total; yet this population con-

tributes more than 13 per cent of the external commerce of the E.E.C.

The Netherlands likewise has derived many advantages from its E.E.C. membership. The share in Dutch exports of the other five partners has risen from 11.5 per cent in 1948 to 47.5 per cent by 1961. Dutch exports to all the E.E.C. partners have risen from \$1.337 million in 1958 to \$2.256 million in 1962. Imports during the same period increased from \$1.518 million to \$2.683 million. Forty-nine per cent of all Dutch exports in 1962 went to other E.E.C. countries as against but 23 per cent to E.F.T.A. Fifty per cent of all imports came from E.E.C. partners as compared with fourteen per cent from E.F.T.A. countries. Comparative export figures for 1958 were 41.6 per cent *vis a vis* the newly formed E.E.C. and 25.2 per cent toward future E.F.T.A. members while import figures stood at 41.9 and 14.9 per cent respectively. It is evident from such figures that the Dutch have gained considerably from their E.E.C. relationship and at the same time have reduced their trade with other West European countries.

WEST GERMANY'S ROLE

West Germany is now the most important trade partner of the Netherlands which nevertheless constitutes for its older trade partner in Benelux, Belgium, the single most important customer. The Federal Republic accounted in 1962 for 24 per cent of all Dutch exports and 23 per cent of all Dutch imports. BLEU took 15 per cent of all Dutch exports but furnished nearly one-fifth of all imports. France and Italy together shared about 10 per cent of Dutch exports and 7.5 per cent of all imports.

The growing importance of the "Euro-mart" in the Dutch economy was felt specifically in certain industrial sectors. Between 1960 and 1962, industrial exports toward E.E.C. countries rose by no less than 13 per cent as against but two per cent for the rest of the world (excluding the United States) and one per cent in regard to E.F.T.A. Textile productions, for instance, increased in percentages of weight from 30 per cent in

1956 to 44 per cent in 1960 and in cotton cloth from 16 to 34 per cent. The value of finished clothing exported to E.E.C. rose 11 per cent in the last two years. Electrical and chemical production have also considerably benefited from E.E.C. membership. Many firms have merged in order to maintain or expand their competitive strength. An increasing number of subsidiaries of foreign companies have also been established in the Netherlands.

Not all the sectors of the Dutch economy are, however, continuous beneficiaries of European integration. The output of the coal industry, for instance, declined by about 10 per cent in 1962. This decline has been ascribed in part to the absence of an E.E.C.-coordinated energy policy. In agriculture, too, which is the most sensitive area in E.E.C. the Dutch have suffered occasional setbacks. Just recently the lucrative West German market was temporarily closed to certain horticultural products. Dutch and West German agriculture operate under very different conditions with the latter heavily protected and subsidized.

DUTCH ANNOYANCE

But the main irritation of the Dutch in agricultural as in other E.E.C. policies is directed against the French government. De Gaulle's July, 1963, statement on the necessity to integrate agricultural policy before the end of the year or face a possible breakup of E.E.C. was branded by Dutch officials as an unwarranted "ultimatum." Belgians and Luxembourgers have concurred in this view.

Finally, reference should be made to the question: have the Benelux nations any role to play within the larger framework of E.E.C.? Benelux authorities and representatives of public opinion are eager to answer this question in the affirmative. Thus, Lucien Ameye

writing in 1959 on the future of Benelux asserted that its continuation was necessary for three reasons: (a) The Netherlands remains the most important customer of BLEU; (b) The Benelux countries are ahead of other E.E.C. members in the creation of a "truly common market"; (c) Joint action of the Benelux countries within E.E.C. would greatly strengthen their influence in the "Euromart."

More recently other Benelux representatives have repeated or added to these arguments. It has been pointed out that there are basic differences in the institutions of the two Unions. The Benelux Union is solely based on inter-governmental cooperation with no transfer of sovereign rights to a supranational authority contemplated. The union has no stated political goals. In matters economic the Benelux countries have reached an advanced stage of free circulation of goods, services and persons while E.E.C. is still in a transitory stage. In the adjustment of different social and fiscal systems the Benelux is likewise far ahead.

But perhaps the most important single reason for the desire to continue Benelux within E.E.C. is the realization that the three small countries can and should act together in order to balance the potential preponderance of the Big Three.⁶ In the words of the Secretary-General of the Benelux Economic Union, Baron van Lynden, the three small countries must have a common will so that the three other E.E.C. members will take their wishes into account. The ultimate goals of Benelux within E.E.C. were clearly outlined by the same official when he stated:

If as Dutchmen, Belgians and Luxembourgers we want to keep our place in a changing world, we must walk hand in hand . . . and in the perspective of a larger European Community of which we hope the United Kingdom will soon be a member.

⁶ The Benelux countries have a total of five votes as against France, Italy, West Germany which have four votes each. In the second stage of the institutional growth of E.E.C. a two-thirds majority (12) will have decision-making powers. But the majority has to be derived from the consenting votes of at least four countries which gives the Benelux bloc votes a decisive role.

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EUROPEAN COMMUNITIES

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nations, whose weight has not been sufficient to make a dent in the *status quo*.

Actually, there is room for improvement in the existing communities. E.C.S.C. has been effective, but as the European Economic Community completes its sixth year, a merger ought to be arranged. The integration of European agriculture remains more phantom than substance, to mention just one of the many serious problems besetting the Common Market. Euratom's technological progress has been disappointing. The artificial separation of military and civilian nuclear research becomes increasingly paralyzing as France pursues her *force de frappe*, a policy which in itself raises a whole rat's nest of questions concerning the co-existence of "European" and "Atlantic" policies.¹¹

Finally, there remains the question: What is Europe? The existing communities are open; they welcome new members. But except for some treaties of association, the membership has been stagnant. The great coup, the addition of Britain, was foiled early in 1963, again by France.¹² In his explanation of the French position, General de Gaulle underlined his desire to protect the organic homogeneity of the existing communities against ill-advised, hasty, and unnatural expansion. His statement implied two conclusions: 1) That he and his followers have accepted the communities which now exist. That in itself is a concession from a man whose most articulate supporter protested in 1957: "The thesis of integration . . . rests on the political conception of a European nation which is against the nature of things."¹³ 2) De Gaulle wants expansion, if any, to proceed slowly. So long as the Six have so much to

¹¹ For an excellent critical discussion of this complex, see H. L. Nieburg, "Euratom, a Study in Coalition Politics," *World Politics*, XV (1963), 597-622.

¹² Britain remains a member of the European Free Trade Association (E.F.T.A.) or "Outer Seven"; other members include Austria, Denmark, Norway, Portugal, Sweden and Switzerland.

¹³ Michel Debré, *Ces princes qui nous gouvernent* (Paris, 1957), p. 119.

iron out among themselves this argument does not lack force. Yet if the strains of a growing membership were imposed on E.E.C. would the search for solutions be undertaken with greater energy? And what of the dangers of a prolonged period of inertia? Can Europe become a reality, if its founders have once more become reconciled to prolonged periods of inaction?

To-day, as in 1953, the pressures of fear and distress which generated these new European policies have receded. Economic relations with the Eastern bloc have been intensified; luxuriant prosperity is the order of the day at home. Can Europe progress toward union only under the lash of disaster?

THE UNITED STATES IN THE COMMUNITY

(Continued from page 270)

trade negotiations with the E.E.C. results from the change that circumstances have wrought in the past 16 years in the conduct of United States policy toward Europe. Nevertheless, the basic premise remains the same: Western economic and political unity is the key to Atlantic solidarity and to the well-being of the free world.

The Atlantic alliance is being transformed into an Atlantic partnership as old spectres begin to fade. Divisions, differences, and conflicts of interest will continue to prevail within a developing partnership. Many new avenues of action now stand open to deal with these problems.

BRITAIN AND THE COMMUNITY

(Continued from page 275)

Trade (Gatt) which would permit the development of new areas of tariff preference, including of course a greatly strengthened system of Commonwealth preference and, so far as some of the protagonists are concerned, reciprocal preferences with the United States.

Any move that would appreciably increase the flow of inter-Commonwealth trade by artificial means, to the exclusion of greater trade elsewhere, would bring more problems

than it solves and is doomed ultimately to failure. Britain cannot absorb more than a fraction of the Commonwealth's export surplus of food and raw materials; it cannot provide more than a fraction of the capital the Commonwealth needs for development; it is unimaginable that the Commonwealth would open its markets to British goods to the degree that Britain needs for economic salvation, for to do so would entail exposing its nascent industries to the fierce blast of British competition. And this the Commonwealth plainly will not do. There is no question of neglecting Commonwealth trade. It will probably be cultivated more intensively than it might otherwise have been, but like E.F.T.A., the Commonwealth does not offer a viable alternative to the E.E.C.

What then can be done? Britain must seek either closer association with the E.E.C. or the development of greater freedom in world trade. The two are not mutually exclusive. One is a long-term objective, the other an immediate necessity. Britain has already accepted the E.E.C.'s offer to maintain regular contact through the machinery of Western European Union on matters of common interest, especially economic matters. The five are still anxious for Britain to join the Community and on the British side the political arguments are as much in favour of membership as ever. If it never joins it looks as if Britain may relapse into a kind of Little Englandism. It is all too clear that singlehanded it can no longer maintain anything approximating great power status; its economy is too weak.

On the strictly economic plane, meanwhile, it must work for maximum freedom and order in world trade, for economic growth in Britain depends on rapid trade expansion which can only be achieved against the background of rapidly expanding world trade. The obvious approach is through the Kennedy round of tariff negotiations at Gatt. It is here that Britain's new interim trade policy will be fully declared: it will be surprising if it does not throw all its weight behind the United States in an attempt to secure a major reduction in tariffs.

THE FRENCH NEW DEAL

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helped to break their monolithic power and resistance to change which was in a large measure responsible for the stagnation of the French economy in the first half of the present century.

By lending his authority to the reformers, de Gaulle protected them from charges of bolshevization of the country. The reformers' program in all its aspects and methods may not be effective; perhaps later still other alternatives will have to be tried. But this is not so important as is the fact that the old roadblocks to progress have been removed and the long overdue adjustment process of the French economy to the conditions of the late twentieth century is finally under way.

ITALY'S STAKE

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could be called the "retail level." Italy's reaction to the French stand on the admission of England was unequivocal and clear-cut, to the point of arousing some speculation as to the possibility of a London-Rome axis as an offset to the Paris-Bonn treaty. Needless to say, the time is long past for this type of bilateral arrangement.

Should the E.E.C. continue to be stalled, economic repercussions on the rate of growth of its member countries would be most serious. Likewise, it is clear that this growth requires a continuous expansion not only in intra-Community trade but also in world trade at large, including trade with the United States. For Italy, it has been so far an agreeable and indeed exhilarating experience to move in step with the fastest-growing countries of the world, to be in fact one of them, to give to the European Community contributions which have increased the rate of growth of the area as a whole, and in turn to reap the benefits of a better division and coordination of labor.

CURRENT DOCUMENTS

President Kennedy's European Trip

On June 22, 1963, President Kennedy began a 10-day trip to Europe during which he visited the Federal Republic of Germany, the Republic of Ireland, the United Kingdom and Italy. Following, in chronological order, are the texts of the joint communiqués issued from Germany, the United Kingdom, and Italy.

COMMUNIQUE BETWEEN PRESIDENT KENNEDY
AND CHANCELLOR ADENAUER, BONN, JUNE
24, 1963

The President of the United States of America, John F. Kennedy, visited Bonn on June 23 and 24 and held talks with leaders of the Federal Republic of Germany. He had a private visit with Federal President [Heinrich] Lübke, and on June 24 met privately with Chancellor Adenauer for detailed discussions on the general international situation. The President and the Chancellor were later joined by Secretary of State Rusk, Vice-Chancellor [Ludwig] Erhard and the Federal Minister of Foreign Affairs, [Gerhard] Schröder, as well as other officials and advisers of the two Governments.

President Kennedy and Chancellor Adenauer discussed European integration, relations between the European Community and other nations of Europe, progress toward the achievement of the Atlantic partnership, and the problems of Berlin and German reunification. In this connection, they had an exchange of views on Western policy toward the Soviet Union and the countries of Eastern Europe.

The President and the Chancellor were in agreement that the two Governments would continue their close collaboration in the task of developing genuine unity among the nations of Europe and fostering an integrated European Community in close partnership with the United States. On questions of eco-

nomics and trade, both in their multilateral and bilateral aspects, the President and the Chancellor reaffirmed their agreement on basic aims; among these matters they stressed in particular the need for stronger participation in world trade by the developing countries. They agreed that the strength of the Free World rests in common policies and common aims pursued jointly by all the nations dedicated to establishing peace in freedom.

The Federal Government shares the view of the United States and other allied powers that controlled disarmament and agreement on the cessation of atomic weapons tests would constitute an important step toward the avoidance of a dangerous armaments race.

The exchange of views confirmed full agreement of the principle that the North Atlantic Alliance continues to be a major instrument for the maintenance of freedom, and the President and the Chancellor agreed that every effort will be made to strengthen common defense planning and joint operation of NATO defense forces.

The President and the Chancellor discussed the proposed multilateral seaborne MRBM [medium-range ballistic missile] force. The multilateral organization is considered a good instrument for serving all members of the Alliance in combining their defense efforts. They reaffirmed their agreement to use their best efforts to bring such a force into being. They also agreed that discussions about the

principal questions involved in the establishment of such a force should be pursued with other interested Governments.

They reaffirmed the commitment of their two Governments to the right of self-determination, as embodied in the United Nations Charter, and to the achievement of German reunification in peace and freedom. They agreed that the freedom of Berlin will be preserved by every necessary means, and that the two Governments would seek every opportunity to counter the inhuman effects of the Wall. They also agreed that the two Governments would continue to seek to reduce tension through international understanding.

Peace and freedom are prerequisites for overcoming the obstacles that still prevent the greater part of mankind from enjoying full participation in social and economic development. The President and the Chancellor affirmed that the Governments of the United States and the Federal Republic of Germany are determined to assume their part in these tasks in the context of the free world's strategy of peace.

The discussions took place in a spirit of frankness and cordiality. These meetings have shown full agreement between the two Governments in assessing the international situation, and have once again demonstrated the close and friendly relations which exist between the two countries.

COMMUNIQUE BETWEEN PRESIDENT KENNEDY
AND PRIME MINISTER MACMILLAN, BIRCH
GROVE HOUSE, SUSSEX, JUNE 30, 1963

During the past two days President Kennedy and Prime Minister Macmillan have held their seventh meeting to discuss current problems. Their talks have taken place at Prime Minister Macmillan's home in Sussex and followed on President Kennedy's visit to Germany and Eire.

The United States Secretary of State, Mr. Rusk, Lord Home, British Foreign Secretary, Mr. Duncan Sandys, Secretary of State for Commonwealth Relations and Secretary of State for the Colonies, Lord Hailsham, Lord President of the Council, Mr. Thorneycroft,

Minister of Defence, and Mr. Heath, Lord Privy Seal, took part in the talks at various times.

During some twelve hours of discussion the President and the Prime Minister began by hearing reports from Lord Home and Mr. Rusk about conversations which the two Ministers had held in London during the previous two days. The topics covered included Laos and the Far Eastern situation, the position in the Middle East, the problems of NATO and the Western Alliance and the effort for a test ban treaty. President Kennedy and the Prime Minister took note in particular of the situation in Laos and expressed their concern at the frequent breaches of the Geneva Agreement of 1962 and at the failure of certain parties to the Agreement to carry out their obligations under it. They agreed to continue to work closely together for the preservation of peace in Laos and the independence and neutrality of that country. They also agreed to continue close general cooperation in the Far East, particularly in regard to the problems of Viet Nam. As regards the Middle East, the President and the Prime Minister agreed on the importance of the efforts made by the United Nations in working towards conciliation in the Yemen and pledged their support to the Secretary-General.

The President and the Prime Minister were agreed on their policy of continuing to help India by providing further military aid to strengthen her defences against the threat of renewed Chinese Communist attack. They were impressed by the importance to the economic progress and defence of both India and Pakistan of whose anxieties they were fully aware, of an honorable and equitable settlement of the outstanding differences between the two countries; they stood ready to help in any way which might be desired by both countries.

President Kennedy and the Prime Minister then reviewed the problems of the Western Alliance, especially in regard to NATO. They noted with satisfaction the decisions reached at the recent NATO meeting in Ottawa which implemented the concept which they

had themselves set out at their meeting at Nassau in December 1962, by which a number of powers assigned some or all of their present and future forces to NATO Command.

With regard to the future they took note of the studies now under way in NATO for review of the strategic and tactical concepts which should underlie NATO's military plans.

The President reported on his discussions with Dr. Adenauer in which they reaffirmed their agreement to use their best efforts to bring into being a multilateral sea-borne MRBM force and to pursue with other interested governments the principal questions involved in the establishment of such a force.

The President and the Prime Minister agreed that a basic problem facing the NATO Alliance was the closer association of its members with the nuclear deterrent of the Alliance. They also agreed that various possible ways of meeting this problem should be further discussed with their allies. Such discussions would include the proposals for a multilateral sea-borne force, without prejudice to the question of British participation in such a force.

The President and the Prime Minister also reviewed the state of East-West relations and considered in particular the possibility of concluding in the near future a treaty to ban nuclear tests. They agreed that the achievement of such a treaty would be a major advance in East-West relations and might lead on to progress in other directions. They agreed [on] the general line which their representatives, Mr. Averell Harriman and Lord Hailsham, should take during their visit to Moscow in July. The President and the Prime Minister reaffirmed their belief that the conclusion of a test ban treaty at this time is most urgent and pledged themselves to do all they could to bring this about.

COMMUNIQUE BETWEEN PRESIDENT KENNEDY
AND PRESIDENT SEGNI, ROME, JULY 2, 1963

On July 1st and 2nd there took place the scheduled working visit to Italy of President Kennedy during which, in Rome, he was re-

ceived by the President of the Republic Segni, and, accompanied by Secretary of State Rusk, met with the President of the Council of Ministers Leone and the Vice President of the Council and Minister of Foreign Affairs Piccioni; and in Naples, he visited, together with President Segni, the headquarters of Allied Forces, Southern Europe.

In the Rome talks, which were carried out in that climate of cordial friendship and very close cooperation which characterizes Italo/American relations, there were examined the principal current international problems. In particular, the meetings provided the occasion for a useful and thorough exchange of views on the situation of East-West relations.

In this regard, both sides confirmed their firm intention of persevering in the search for appropriate means to alleviate international tensions. Furthermore, they expressed the conviction that in an atmosphere free from pressure and from threats, existing problems can be directed toward solutions, however partial, without at the same time altering that balance of forces which is guaranteed by the Atlantic Alliance, indispensable instrument for the consolidation of peace in freedom and security.

In this context, President Kennedy explained the position of the United States with respect to the possible development of a NATO multilateral nuclear force. On the Italian side, as a consequence of the agreement in principle formerly expressed by the Italian Government which was reported to the Chamber of Deputies immediately afterwards, there was expressed a favorable attitude toward participating in studies on this subject to be carried out subsequently among all the governments concerned.

In examining the developments of the Alliance, against the background of the current international situation, both parties again underlined the necessity of persevering in efforts to advance current negotiations for a controlled, gradual and balanced disarmament, of making every effort in order to reach an agreement in the field of nuclear

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BOOK REVIEWS

THE COMMON MARKET

ALLIANCE BORN OF DANGER: AMERICA, THE COMMON MARKET, AND THE ATLANTIC PARTNERSHIP. By CHARLES A. CERAMI. (New York: Harcourt, Brace & World, 1963. 175 pages and index, \$3.95.)

This brief and well-written narrative of the history of the Common Market and the Atlantic partnership envisions a unified European government including Great Britain and, in time, a Council of Atlantic Nations, which will become "in effect a foreign policy-making body for the group." Charles Cerami believes that in the 1960's the European Economic Community will grow to 12 or more full members with some 30 associates linked *economically*. "But the inner core—the full members—will be special and distinct, for they will be moving steadily toward political union as well."

THE FUTURE OF THE ATLANTIC COMMUNITY: TOWARD EUROPEAN-AMERICAN PARTNERSHIP. By KURT BIRRENBACH. (New York: Frederick A. Praeger, 1963. 77 pages and appendices, \$3.50.)

In this brief study, the Vice President of the Atlantic Institute urges the establishment of a true Atlantic Community. Writing before France rejected British membership in the E.E.C., he underlines the reasons why Britain must join the E.E.C. Also, as he sees it, "close ties between France and Germany are the cornerstone for the unity of Continental Europe."

THE ECONOMICS OF SUCCESS. By LUDWIG ERHARD. (Princeton: D. Van Nostrand Company, 1963. 412 pages, \$6.50.)

This collection of speeches and articles written by West Germany's Ludwig Erhard

was prepared by Erhard himself to emphasize the fact that since World War II German economic policy has consistently sought "to establish an ever closer link with the entire free world."

PARTNERSHIP FOR PROGRESS: A PROGRAM FOR TRANSATLANTIC ACTION. By PIERRE URI. (New York: Harper and Row, 1963. 107 pages and appendices, \$2.95.)

This is the first report issued by the Atlantic Institute, which was set up as an "idea laboratory" in 1961, with private citizens from 16 nations mobilizing "the best brains of the free world to find solutions to our common problems." Facing the "emerging reality of a United Europe," the Institute is calling for "an Atlantic Partnership—a partnership, moreover, of equals, based on the assumption that the United Europe now being forged in the Common Market will soon equal, if not exceed, the United States in its total wealth, manpower, resources and trade." The specific suggestions made by the institute are summarized in this report by Pierre Uri, one of the authors of the Treaty of Rome of 1957, which established the European Economic Community.

THE UNITED STATES AND THE COMMON MARKET: A BACKGROUND STUDY. By DON D. HUMPHREY. (New York: Frederick A. Praeger, 1962. 176 pages, \$4.50.)

Don Humphrey, Professor of International Economic Affairs at the Fletcher School of Law and Diplomacy, offers the reader a brief survey of United States trade policy since the 1930's, the problems of trade expansion and tariff reduction, the effects of West European economic inte-

gration and the need for a growing market for the products of developing nations. Believing in free trade as "a powerful incentive to keep prices competitive," Professor Humphrey concludes that if "... we accept European competition, both labor and management will be under a discipline to keep prices competitive. ..."

THE PATH TO EUROPEAN UNION: FROM THE MARSHALL PLAN TO THE COMMON MARKET. By HANS A. SCHMITT. (Baton Rouge: Louisiana State University Press, 1962. 245 pages, bibliography and index, \$6.00.)

This comprehensive history of the development of European union will be welcomed by all students of European and American affairs. "A new Europe is in the making," writes Hans A. Schmitt; "The new Europe must conquer in peace, or it will be conquered in turn." Because the "latest and broadest European revolution is far from complete," the author offers "a progress report on the first experimental stage ... placing a short decade into historical context." Readers unfamiliar with all the details of the past decade will find much valuable background information in this well-written study.

T.H.B.

KENNEDY'S EUROPEAN TRIP

(Continued from page 306)

test ban, and of preventing the proliferation of atomic arms.

As for the process of European unification, there was agreement as to its significant value, and on the Italian side, there was reaffirmed the will to encourage its development, increasing the efforts directed toward creation of an integrated Europe. In this connection, there was recalled the known attitude of the Italian Government favorable to European integration not only in the economic field but also in the political. Italian representatives found themselves in agreement with President Kennedy on the necessity that European unity be achieved within the framework of the hoped-for interdependence between the United States and Europe.

Both sides agreed on the desirability of working toward cooperation among the various economic areas in order to promote a greater volume of trade between the areas themselves and to draw them increasingly closer together. In this context, there were examined the results achieved in the ministerial meeting held last May in Geneva in preparation for the GATT multilateral tariff negotiations which are scheduled to begin next year. Taking into account the complexity of the problems discussed in that meet-

ing, the results achieved so far were considered encouraging. Particular emphasis was laid on the significance of the resolution approved at that time for expanding the commerce of the developing countries, inasmuch as such resolution provides the basis for a better coordination of the efforts of the democratic countries aimed at fostering the economic and social progress of the developing countries. This is in conformity with the policies of both the United States and Italy, designed to promote the strengthening of the free world through a common program in which all nations which are really free can participate.

Both reaffirmed the staunch adherence of both countries to the principles of the United Nations organization; and the firm purpose to continue to carry out within the Organization constructive work particularly with regard to the problems of disarmament, the developing countries, and the maintenance of peace. They placed special stress on the role which, in this connection, the U.N. might play at such time in the hoped-for agreement on disarmament.

In such a spirit, on the American side as on the Italian side, there was underlined the desire to continue the work which the respective governments are carrying on for the strengthening of peace in the world and for the carrying out of their obligations to this end.

THE MONTH IN REVIEW

A CURRENT HISTORY Chronology covering the most important events of September, 1963, to provide a day-by-day summary of world affairs.

INTERNATIONAL

Berlin

Sept. 2—Vice-President of the West German Bundestag Thomas Dehler meets in Moscow with Soviet Foreign Minister Andrei A. Gromyko.

Disarmament

Sept. 19—Speaking to the U.N. General Assembly, Soviet Foreign Minister Andrei Gromyko asks President Kennedy and 16 other chiefs of state to confer with Soviet Premier Nikita Khrushchev in Moscow in 1964 on the subject of a general disarmament treaty.

Sept. 24—The U.S. Senate ratifies the test ban treaty. (See also *U.S., Foreign Policy*, September 24, and the *U.S.S.R.*, Sept. 25.)

Nigeria becomes the 102d nation to sign the nuclear test ban treaty. (For the text of this treaty, see *Current History*, Oct., 1963.)

European Economic Community (Common Market)

Sept. 4—The U.S. government issues a “background” statement rejecting the Common Market’s proposal to reduce its tariff on U.S. poultry 10 per cent, from 13.43 cents a pound to 12.1 cents. U.S. poultry exports go almost entirely to West Germany, whose tariff on some \$46 million worth of poultry imports from the U.S. was only 4.8 cents a pound before Common Market tariffs became effective. The Common Market’s farm policy in effect provides variable levies to maintain a “fixed barrier,” thus preventing U.S. poultry imports from entering the Market at competitive prices.

Sept. 12—Turkey becomes the second Associate Member of the E.E.C. (after

Greece), signing an agreement with the six members of the Common Market. The Turkish legislature and the legislatures of the six E.E.C. members must ratify this agreement.

Sept. 24—The Council of Ministers of the E.E.C. offers a 10 per cent reduction in the tariff on imports of U.S. poultry. The U.S. says again that it will retaliate by raising tariffs on some \$46 million in imports. But it suggests independent adjudication in accordance with the General Agreement on Tariffs and Trade (Gatt) on the amount of trade on which U.S. tariffs can legitimately be raised.

Sept. 26—Walter Hallstein, president of the Executive Commission of the E.E.C., reveals that the E.E.C. is offering the U.S.S.R. a 25 per cent reduction in E.E.C. tariffs on Russian exports of caviar, crab meat and vodka. Russian acceptance of this offer will indicate *de facto* recognition of the Common Market as a tariff negotiator.

International Bank for Reconstruction and Development (World Bank)

Sept. 30—Representatives of 102 nations at the annual meeting of the World Bank and the International Monetary Fund hear U.S. President John F. Kennedy pledge “such measures as may be necessary” to provide non-Communist states with gold and foreign exchange reserves after the U.S. ends its own payments deficit.

United Nations

(See also *Congo, U.S., Foreign Policy* and *Yemen.*)

Sept. 3—The 101st veto by the U.S.S.R. prevents condemnation of Syria for the

"wanton murder" of two Israeli farmers.
 Sept. 10—Britain vetoes a Security Council resolution urging that the transfer of governmental powers and arms to Southern Rhodesia should cease. The vote is 8-1 with France and the U.S. abstaining.

Sept. 17—Opening in a hopeful mood, the 18th General Assembly elects Dr. Carlos Sosa Rodriguez of Venezuela as President.
 Sept. 20—A protest against South African apartheid practices prompts a walk-out by over half of the General Assembly's delegates.

Sept. 25—The General Assembly Budget Committee gives top priority to a 6-month extension of U.N. forces in the Congo through June, 1964.

Sept. 28—Secretary of State Dean Rusk, Lord Home, Britain's Foreign Secretary, and Andrei A. Gromyko, Foreign Minister of the Soviet Union, hold the first of several proposed meetings on East-West tensions. A general exchange of views and positions on disarmament yields no "conclusive results."

AFGHANISTAN

(See *U.S., Foreign Policy*.)

ALGERIA

Sept. 8—A constitution proposed by Premier Ben Bella receives almost unanimous approval in a nation-wide referendum. The Constitution will give strong powers to Ben Bella's National Liberation Front (Algeria's only party).

Sept. 13—The Algerian Foreign Ministry announces that the Soviet Union has granted a \$100 million long-term industrial loan to Algeria.

Sept. 15—Some 5 million Algerians vote in the presidential election. Premier Ben Bella is the sole presidential candidate.

Newly-elected President Ben Bella, in a radio speech, declares that "principal enterprises" and land belonging to settlers and to traitors will all be nationalized.

Sept. 17—The government nationalizes *La D  p  che d'Alg  rie*, a daily paper with the largest circulation in Algeria. It is re-

ported that the other 2 French-language dailies have also been nationalized.

Sept. 18—Ben Bella names a new 15-member Cabinet.

Sept. 20—Ben Bella is sworn in as president.

Sept. 29—In Tizi-Ouzou, anti-Ben Bella demonstrations break out. Colonel M  h  ndou el Hadj, leader of 3,000 troops, joins the opposition. Hocine Ait Ahmed, a left-wing deputy, announces a campaign against the government by the *Front des Forces Socialistes*.

ARGENTINA

Sept. 12—The government issues an amnesty decree clearing all military personnel and civilian political prisoners. Some 1,800 persons accused of conspiracy are involved.

BRAZIL

(See also *Yugoslavia*.)

Sept. 12—An insurgent force of non-commissioned officers in the navy and air force stages an uprising in Brasilia; troops are routed by army tank units.

BRITISH COMMONWEALTH OF NATIONS

Canada

Sept. 9—The Government reveals that it plans to increase old-age pensions \$10 monthly if Parliament approves.

Sept. 16—Canada and the Soviet Union agree that the U.S.S.R. will buy \$500 million worth of Canadian wheat, to be delivered within a year; this is the largest grain sale on record for delivery within one year.

Sept. 20—The U.S. and Canada open 2 days of talks on economic problems.

Sept. 21—It is reported from Washington that Canada is considering reducing its U.S. car imports by almost half.

Ceylon

Sept. 16—After an absence of several months, the U.S.S.R. resumes activities in Colombo's tea auctions.

Federation of Malaysia

Sept. 14—United Nations Secretary General U Thant reports that a "sizable majority"

in North Borneo and Sarawak want to join the new federation. The conclusion is based on an on-site survey by a 9-man U.N. team.

Sept. 16—The Federation of Malaysia is formed.

Sept. 17—After Indonesia refuses to accept the Federation and the Philippines asks for permission to reduce its embassy in Kuala Lumpur to consulate status, the Federation ends normal diplomatic relations with Indonesia and the Philippines.

Sept. 18—Prime Minister Abdul Rahman announces that Malaysian armed forces are "in a state of preparedness" because of the rupture of relations with the Philippines and Indonesia.

Great Britain

Sept. 16—Buckingham Palace announces that Queen Elizabeth II expects a fourth child in 1964.

Sept. 20—The Cabinet empowers the Foreign Secretary, the Earl of Home, to discuss British participation in a nuclear armed surface fleet under Nato with U.S. Secretary of State Dean Rusk. British military leaders are opposed to this program.

Sept. 26—Reporting on the Profumo affair, Lord Denning finds that "there is no reason to believe that there was any security leakage whatever" in the association of former War Secretary John D. Profumo, Christine Keeler, a "party girl," and a Russian deputy naval attaché at the Soviet Embassy in London. The 50,000-word Denning report is released as a parliamentary "command paper."

India

Sept. 9—Minister of Defense Y. B. Chavan tells Parliament that the Army has increased its force along the northern border with 3 additional divisions.

Prime Minister Jawaharlal Nehru tells Parliament that the Government has deported 4 Pakistanis for espionage. Yesterday Pakistan announced a similar charge and action against 4 Indians.

Sept. 13—Sponsored by the Communist party, some 50,000 persons demonstrate in New Delhi against new tax laws and ask for nationalization of banks.

Sept. 20—Defense Minister Chavan says the chiefs of staff have ordered Army officers to democratize their relationships with enlisted men "in keeping with our democratic traditions."

The Government announces an arrangement for a ceasefire on the East Pakistan-Assam frontier.

Sept. 21—The Government drops its compulsory savings deposit plan and modifies its gold control order.

Nigeria

Sept. 7—Parliament approves legislation making the Federation of Nigeria a federal republic; on October 1, Nigeria will become the sixth republic in the British Commonwealth. The President will hold office for 5 years and will be eligible for re-election.

The High Court convicts Chief Anthony E. Enahoro, vice-president of the Opposition Group party, of treasonable felony, conspiracy and illegal importation of arms. He is sentenced to 15 years' imprisonment.

Sept. 11—Opposition leader (Chief) Obafemi Awolowo is found guilty of treasonable plotting and sentenced to 10 years in prison. Seventeen other defendants are found guilty and imprisoned; 3 are found innocent.

Pakistan

Sept. 1—Pakistan and India sign a 2-year trade agreement. India will supply 1.3 million tons of coal monthly to Pakistan plus 50,000 tons of boulders yearly; Pakistan will send India raw jute and raw cotton.

Sept. 5—U.S. Under Secretary of State George Ball leaves Pakistan after 3 days of discussions about Pakistan's "drift toward greater intimacy with Communist China." No communiqué is issued.

Sept. 8—Pakistan asks India to recall diplo-

mats for planning espionage. (See also *India*.)

Sept. 9—A nationwide press strike protests new press censorship; no newspapers are published.

Sept. 10—The Afghan Ambassador to Karachi, Mohammed Hashim Maiwandwal, reports that the Chaman Kandahar trade route between Pakistan and Afghanistan is now open.

Sept. 28—Pakistan and the U.S. sign an agreement under which the U.S. will lend Pakistan \$70 million to buy U.S. iron, steel and other products.

Sept. 30—Pakistan signs a barter agreement with Communist China; Pakistan jute will be exchanged for Chinese cement.

An air agreement is reached "in principle" with a Soviet mission.

Uganda

Sept. 19—Prime Minister Milton Obote pleads illness and does not attend a conference of heads of state who are meeting in Nairobi to plan an east African union. Obote has maintained that internal problems must be settled before such a federation can be planned.

BRITISH EMPIRE, THE Federation of Rhodesia and Nyasaland

Sept. 4—It is announced in Lusaka that the January, 1964, elections to bring internal self-government to Northern Rhodesia will be governed by the theory: "one man, one vote." A "limited number" of parliamentary seats will be reserved for the white minority.

Sept. 26—It is announced in London that Nyasaland will become independent on July 6, 1964. Nyasaland's Prime Minister, Kamuzu Banda, has been conferring in London with R. A. Butler, British Minister for Central African Affairs. In December, 1962, Nyasaland received the right to leave the Federation of Rhodesia and Nyasaland.

Prime Minister of the Federation of

Rhodesia and Nyasaland Roy Welensky discusses the African situation with Portuguese Premier Antonio de Oliveira Salazar.

Kenya

Sept. 25—Prime Minister Jomo Kenyatta tells the opening session of a constitutional conference in London that Kenya's projected constitution must restore the authority of the central government or he will not be committed to it after independence. December 12 is the tentative date set for Kenyan independence.

Sept. 27—Returning from Addis Ababa, acting Prime Minister Joseph Murumbi reveals that the outstanding Kenyan-Ethiopian border disputes have been settled.

Zanzibar

Sept. 20—In London, Commonwealth and Colonial Secretary Duncan Sandys meets 12 sheiks from Zanzibar to discuss the method by which Zanzibar, now a protectorate, may become a member of the Commonwealth.

CHAD

Sept. 17—It is reported that last night a state of emergency was declared by President François Tombalbaye, following clashes between demonstrators and security troops.

CHILE

Sept. 12—Police battle striking workers in Santiago. The riot is the third outbreak this week between police and 35,000 National Health Services workers who struck for higher pay 23 days ago.

Sept. 26—President Jorge Alessandri Rodríguez forms a new cabinet. The previous Cabinet resigned on September 14 after Congress passed a law it opposed.

CHINA, PEOPLE'S REPUBLIC OF (COMMUNIST)

Sept. 1—A statement by an official spokesman for the Chinese Communist party is issued in Peking. The statement, replying to a Soviet message of August 21, charges that

the Soviet Union has revealed Sino-Soviet nuclear secrets to the U.S. (See also *U.S.S.R.*)

Sept. 6—The Peking radio broadcasts an accusation charging that the Soviet Union was involved in a plot to overthrow the government of Ili, a district in northwest Sinkiang Province along the Soviet border. The Chinese accusation warns that the Soviet Union has brought relations with China to the "brink of a split."

Sept. 13—The text of the official Chinese reply to a Soviet statement of July 14, 1963, criticizing Peking, is made available. The Chinese accuse the Russians of violating the 1950 Sino-Soviet treaty of friendship.

CONGO, REPUBLIC OF THE (LEOPOLDVILLE)

Sept. 6—U.N. sources disclose that U.N. Secretary General U Thant has ordered officials in Leopoldville to reduce the technical assistance program for the Congo, supposedly for financial reasons. Last spring an expanded aid program was announced by the U.N.

Sept. 12—Nigerian Prime Minister Sir Abubakar Tafawa Balewa arrives for an official visit.

Sept. 24—Sources report that U.S. President Kennedy and U Thant have reached agreement on a compromise plan suggested by Kennedy to maintain U.N. forces in the Congo for the first 6 months of 1964. Heretofore U Thant has urged the removal of U.N. forces from the Congo by December 31, 1963.

CUBA

Sept. 6—A Cuban air force communiqué charges that the U.S. is responsible for an attempted attack yesterday on a Cuban air force base in Santa Clara.

CZECHOSLOVAKIA

Sept. 21—In a government reshuffle, President Antonin Novotný dismisses Premier Viliam Siroky; Joseph Lenart is named as the new premier. Two deputy premiers and several cabinet ministers are also ousted.

DOMINICAN REPUBLIC

(See also *Haiti*.)

Sept. 25—Military leaders seize control of the government, overthrowing President Juan D. Bosch. A military statement accuses Bosch of being sympathetic to communism.

The U.S. announces that it is halting economic aid to the Dominican Republic and canceling diplomatic relations.

Sept. 26—A 3-man civilian junta is sworn in to rule the country. Students protesting the military coup fight with police.

Emilio de los Santos, leader of the junta, names a coalition Cabinet of members of the 6 political parties opposed to Bosch.

FINLAND

Sept. 10—President Urho Kekkonen asks the leader of the People's party, Esa Kaitila, to form a new government. The Finnish coalition government resigned on August 30.

FRANCE

Sept. 4—Robert Schuman, former French premier and one of the leaders of European union, dies at the age of 77.

Sept. 10—Vacationing King Hussein of Jordan confers in Paris with President Charles de Gaulle.

Paris-Match (Paris weekly) publishes an outline by Premier Georges Pompidou of the anti-inflationary "stabilization" program proposed by the Government.

Sept. 13—The French government reduces tariffs on over 100 items in 5 categories: food, clothing, machinery, small manufactured products and toys.

Sept. 25—In Orange, at the opening of a tour through southern France, de Gaulle tells a cheering audience that he will continue to lead France, and maintain her independence, including nuclear independence, of the U.S. and the U.S.S.R.

GERMANY, FEDERAL REPUBLIC OF (WEST)

(See also *Int'l.*, *Berlin* and *France*.)

Sept. 22—Chancellor Konrad Adenauer ends a meeting in France with President de Gaulle. Adenauer discloses that he will continue to confer with de Gaulle even after his retirement from the chancellorship.

Sept. 26—The steering committee of the Bundestag (lower house of parliament) announces that Adenauer will resign on October 15; on October 16 Economics Minister Ludwig Erhard will be elected and sworn in as chancellor.

GREECE

Sept. 4—The parliament approves a bill creating a modified system of proportional representation for the elections scheduled for November 3.

Sept. 25—Premier Panayotis Pipinelis offers his Cabinet's resignation following a threat by the Center Union to boycott the November elections unless Pipinelis is removed.

Sept. 26—King Paul orders the dissolution of parliament and announces elections on November 3.

Sept. 27—King Paul asks Stylianos Mavromihalis, president of the Greek Supreme Court, to form a caretaker government.

GUINEA

Sept. 28—Guinean voters cast ballots for a single-party National Assembly.

HAITI

Sept. 8—It is reported that a 4-nation committee appointed by the O.A.S. to investigate Haitian-Dominican differences has asked the 2 countries to accept its peace plan.

Sept. 15—Diplomats returning from Haiti reveal that 20 political refugees have been granted safe-conduct exits. The refugees have taken asylum in diplomatic embassies in Port-au-Prince.

Sept. 19—It is disclosed by a Haitian official that his country will ask the U.N. Security Council to consider its charges against the Dominican Republic. Haiti has accused the Dominican Republic of responsibility

for rebel attacks against the Haitian government. Haiti has rejected a peace plan put forth by a special committee set up by the O.A.S.

Sept. 23—It is reported that General Leon Cantave, who has led rebel attacks against Haiti since August 5, has fled to the Dominican Republic with some 80 followers.

INDONESIA

(See also *British Commonwealth, Malaysia.*)

Sept. 16—Indonesian mobs stone the Malayan Embassy in Jakarta to protest the establishment today of the Federation of Malaysia. Later, they attack the British Embassy.

Sept. 18—Indonesian rioters loot and set fire to the British Embassy in Jakarta and other British property because of Britain's support of Malaysia.

Sept. 19—Indonesian Ambassador to Britain Durhanudin Mohammed Diah tells British Foreign Secretary Lord Home that Indonesia will protect British subjects and British property in Indonesia.

Sept. 20—President Sukarno orders the government to take control of British companies in Indonesia to prevent their seizure by left-wing labor unions. A government statement declares that the take-over is ordered to protect the companies, and not to nationalize them.

Sept. 21—Following 2 days of rioting against Britain and Malaysia, Indonesian President Sukarno orders that trade relations with the Federation be cut off.

Sept. 24—U.S. officials report that the U.S. will halt, at least temporarily, all new economic aid programs for Indonesia.

Sept. 25—In a speech in Jogjakarta, President Sukarno declares that the Federation of Malaysia is a threat to his country, and that he will "fight and destroy" the Federation. Sukarno declares that the U.N. team that polled public opinion in North Borneo (Sabah) and Sarawak on joining the Federation mishandled the survey.

IRAN

Sept. 17—Iranians, with women participating

for the first time, vote for a new parliament; 200 seats in the Majlis (lower house) and 30 Senate seats are being contested.

Sept. 22—Almost complete election results are announced, revealing that National Congress candidates who support Shah Mohammed Riza Pahlevi have won 180 seats in the Majlis.

IRAQ

Sept. 2—At the close of a visit by Iraqi President Abdel Salam Arif to Syria, a joint communiqué is issued: Iraq and Syria agree to promote "full economic unity" and to work together to strengthen their military defenses.

ITALY

Sept. 25—The Cabinet approves an austerity program to halt a spiraling inflation.

JAPAN

Sept. 14—A Japanese trade delegation leaves for a 2-week visit to Communist China to negotiate arrangements for increased trade in 1964.

KOREA, SOUTH

Sept. 20—Supporters of Song Yo Chan, a former premier and the presidential candidate of the Liberal Democratic party, stage a sit-down strike to demand Song's release from prison.

LAOS

Sept. 10—Sources report that an Air America, Inc., plane, on a rice-dropping mission over Laos, has been shot down by pro-Communist Pathet Lao anti-aircraft fire. Aboard were 3 Americans and 4 Laotians.

NORWAY

Sept. 16—The 24-day old 4-party coalition government headed by Premier John Lyng is defeated on a vote of confidence on its program.

Sept. 21—Lyng submits his resignation. King Olav V asks Labor party Chairman Einar Gerhardsen to form a new cabinet.

Sept. 25—Einar Gerhardsen returns to the

premiership; his 15-man Cabinet is announced.

PHILIPPINES, THE

(See also *British Commonwealth, Malaysia*.)

Sept. 20—U.S. State Department officials disclose that a 17-year-old agreement with the Philippines, empowering the U.S. to represent Philippine interests in countries where she has no diplomatic relations, has been formally terminated.

POLAND

Sept. 8—Polish Communist leader Wladyslaw Gomulka makes a speech criticizing the Chinese Communists for splitting "the unity of the Socialist camp."

Sept. 15—The Government orders a 100 per cent price increase for milk, dairy products, matches, vinegar and some alcoholic drinks. An 11 per cent rise in milk prices paid to farmers and increases in the state purchase prices for meats are also ordered.

PORTUGAL

Sept. 6—President Américo Deus Rodrigues Tomas leaves for a trip to Angola.

U.S. Under Secretary of State George W. Ball arrives in Lisbon for talks with Premier Antonio de Oliveira Salazar.

Angola

Sept. 4—Holden Roberto, head of the National Front for the Liberation of Angola, declares that his government-in-exile is prepared to step up its fight against Portugal and "meet intransigence with intransigence."

SAUDI ARABIA

Sept. 16—King Saud returns home after 4 months of medical treatment in Austria.

SOUTH AFRICA, REPUBLIC OF

Sept. 3—Prime Minister Hendrik F. Verwoerd tells the annual congress of the ruling Afrikaner Nationalist party that South Africa can offer a better deal for the British protectorates of Swaziland, Bechuanaland

and Basutoland than can be had "under the British." He challenges Britain to hold a plebiscite in the 3 territories to determine whether they prefer to be under South Africa or Britain.

SPAIN

(See *U.S. Foreign Policy*.)

SYRIA

(See *Iraq*.)

TURKEY

Sept. 5—The 46-day trial of the men involved in the attempted coup of May, 1963, against Premier Ismet Inonu ends. A military tribunal sentences the rebel leader, Colonel Talat Aydemir, and 6 other officers to death.

U.S.S.R., THE

(See also *China* and *Yugoslavia*.)

Sept. 16—Canada and Russia sign an agreement whereby Russia will purchase over 6 million metric tons of wheat and wheat flour from Canada.

Sept. 19—*Pravda* (Soviet Communist party organ) publishes an editorial charging that Communist China has not been willing to negotiate its border dispute with India.

Sept. 21—The Soviet press publishes in 2 parts (one in the morning, one in the evening) a 15,000 word statement accusing Communist China of violating Soviet border territory; some 5,000 violations are reported for 1962 alone. The statement warns that if the Communist Chinese continually act in opposition to Soviet bloc policies, they must be prepared for "the most absolute rebuff by the Communist Party of the Soviet Union."

Sept. 25—The Presidium of the Supreme Soviet ratifies the nuclear test ban pact.

UNITED ARAB REPUBLIC

Sept. 4—President Gamal Abdel Nasser welcomes 3,000 Egyptian troops recalled from Yemen.

UNITED STATES

Civil Rights (See *Segregation*.)

Economy

Sept. 17—The Commerce Clearing House reports that state tax collections in fiscal 1963 rose to \$22.1 billion. Sales taxes in 37 states accounted for \$5.5 billion; in 30 states this was the largest single source of revenue.

Foreign Policy

(See also *Intl.*, *U.N.*, and *International Bank for Reconstruction and Development*.)

Sept. 2—The President warns South Vietnam that the Government must regain popular support to win the war; United States support is to continue but the Government must regain the people's confidence.

Sept. 3—Vice-President Lyndon Johnson arrives in Stockholm at the beginning of a goodwill trip to the 5 Nordic nations: Sweden, Finland, Norway, Denmark and Iceland.

Sept. 7—In Washington President Kennedy and Afghanistan's King Mohammad Zahir issue a joint communiqué stressing Afghanistan's policy of non-alignment.

Sept. 11—U.S. Ambassador John M. Cabot meets for the 119th time with a Chinese Communist representative in Warsaw.

Sept. 20—Addressing the U.N. General Assembly, President Kennedy proposes that the U.S. and the U.S.S.R. cooperate to make a joint trip to the moon.

Sept. 23—Chairman of the Joint Chiefs of Staff General Maxwell Taylor and Secretary of Defense Robert McNamara leave Washington for Vietnam. (See also *Vietnam*.)

Sept. 24—The Senate votes 80-19 to ratify the nuclear test ban treaty prohibiting nuclear tests in the atmosphere, in space and underwater. (See also *Int'l.*, *Disarmament*.)

Sept. 26—It is reported in New York that the U.S.S.R. has offered to purchase 100 million bushels of wheat and flour from the U.S.

The U.S. and Spain agree in an exchange of letters to establish a joint consultative committee on defense; the 1953 agreement on U.S. air and naval bases in Spain is extended for 5 years.

Government

Sept. 6—The President orders the establishment of a new agency, the National Communications System, to coordinate all federal communications systems; Defense Secretary Robert McNamara is to supervise this organization.

Sept. 9—President Kennedy reveals that he will appoint Wisconsin's Tax Commissioner John A. Gronouski as Postmaster General to succeed J. Edward Day.

Sept. 13—The U.S. Office of Education reveals that the federally supported student loan program will have to be curtailed for the second year because requests have exceeded available funds.

Sept. 14—The White House reveals that President Kennedy will tour 11 states from September 24 to September 28, making a non-political survey of the nation's conservation projects.

Sept. 17—The White House reveals that Mrs. J. F. Kennedy will leave October 2 for Greece.

Sept. 18—The President addresses the nation on a national television hook-up and asks support for tax reduction "in the national interest."

Sept. 19—The President confers with 7 Negro leaders on racial tensions in Birmingham, Alabama. (See also *Segregation*.)

Sept. 24—The President leaves on his 11-state 5-day tour.

The President signs a bill providing \$236.4 million in aid to medical and dental schools and their students.

Sept. 25—The House of Representatives votes 271-155 to pass the tax reduction bill.

The Department of Justice asks the Supreme Court to hold the legislative districting in New York, Maryland and Virginia unconstitutional.

Labor

Sept. 5—The President names 3 professional specialists in labor relations to be neutral members of the board arbitrating the railroad work rules controversy.

Sept. 8—The strike of New York city's teachers is avoided when members of the United Federation of Teachers vote to agree to a 2-year contract; the vote is 5,265 to 181.

Military

Sept. 10—The President signs an executive order that effectively ends the military draft for married men.

Sept. 12—It is revealed in Washington that the armed forces serving with the U.S. Army in Europe have been reduced some 7,300 men since January 1, 1963; about 22,300 have been returned to the U.S. in a little over 12 months.

Sept. 15—The Massachusetts Institute of Technology's Lincoln Laboratories reports that the May, 1963, Project West Ford, the orbiting of 400 million fine copper wires to test the possibilities of a copper wire global girdle for communications, is a success.

Sept. 24—The President names Lieutenant General Wallace M. Greene, Jr., to succeed General David M. Shoup as Commandant of the Marine Corps.

Politics

Sept. 7—New York's Governor Nelson Rockefeller is greeted by 5,000 Illinois Republicans as he launches an attack on the policies of the Kennedy administration.

Sept. 9—At a news conference, Governor Rockefeller repudiates his 1962 campaign pledge to New Yorkers that he would not raise taxes during his second term; he blames the slowdown in the nation's economic growth.

Sept. 16—In Los Angeles, Arizona Senator Barry Goldwater ends a transcontinental tour with a "campaign" speech to 40,000.

Sept. 19—In an interview, Senator Goldwater is reported to favor the full use of federal authority to enforce court decisions

on school integration in certain cases.

Sept. 23—Governor Rockefeller begins a 12-day trip in Europe.

Sept. 24—New Hampshire's Senator Norris Cotton officially supports Goldwater as the Republican presidential nominee in 1964.

Segregation and Civil Rights

Sept. 1—James Farmer, national director of the Congress of Racial Equality (CORE), asks Attorney General Robert Kennedy to send U.S. marshals into Plaquemine, Louisiana, to end "extreme police brutality."

Sept. 2—Alabama's Governor George Wallace sends state troopers to Tuskegee High School in Tuskegee, Alabama, to prevent desegregation. The Governor also postpones school opening in Huntsville for 3 days.

Charlayne Hunter, the first Negro girl to enter and graduate from the University of Georgia, reveals that she secretly married a white student at the University while they were both attending classes there.

Sept. 4—Chicago, Illinois, public schools open; protests of racial imbalance lead to parent demonstrations and sit-ins.

Sit-in demonstrations in Englewood, New Jersey, protest delay in a plan to cut down racial imbalance at the 98 per cent Negro Lincoln school.

Sept. 5—Three all-white schools in Birmingham, Alabama, are closed by the Board of Education at the request of Governor Wallace.

A 16-year old girl is the first Negro student admitted to Clemson College, a state-supported formerly all-white college in South Carolina.

Civil rights leaders in New York city call off a projected school boycott when the Board of Education pledges a specific timetable by December 1 for lessening racial imbalance.

Sept. 6—Governor Wallace uses state troopers, despite local protests, to prevent school desegregation in Huntsville and Tuskegee, Alabama. The Governor allows Murphy High School to open in Mobile under

trooper supervision, after a pledge that Negroes will not attend.

Sept. 8—Governor Wallace reveals that public schools under court order to desegregate will be allowed to reopen tomorrow in Birmingham, Tuskegee, Huntsville and Mobile.

Sept. 9—Four Negro students are permitted to attend 4 public schools in Huntsville, Alabama.

In Jersey City, New Jersey, almost 950 children boycott a predominantly Negro school to protest racial imbalance.

State troopers under orders from Governor Wallace prevent the attendance of 20 Negroes in previously all-white schools in Birmingham, Mobile and Tuskegee. Five federal district court judges enjoin the Governor and the troopers from blocking desegregation.

Sept. 10—After President Kennedy federalizes the state's National Guard, 20 Negroes are allowed to attend previously all-white schools in Birmingham, Mobile and Tuskegee.

Sept. 11—Alabama's oldest chartered college accepts a Negro girl as a student for the first time.

The previously all-white University of South Carolina allows three Negroes to register without incident.

Sept. 12—At his news conference, President Kennedy praises Southern leaders in communities where schools have been integrated.

Thousands of white students demonstrate in protest against school integration in Birmingham, Mobile and Tuskegee.

Sept. 15—A bomb explodes in Birmingham's Sixteenth Street Baptist Church, killing four young Negro girls and injuring others. Two young Negro boys are killed in the riots that follow.

Sept. 16—President Kennedy expresses a "deep sense of outrage and grief" and blames "public disparagement of law and order" for the Alabama bombing. Negroes ask for federal troops in Birmingham to end terrorism.

Private citizens provide special schools for Negro children in Prince Edward County, Virginia, where there have been no public schools for four years. The privately-financed Prince Edward County Free School Association opens integrated schools for more than 1,600 children.

Sept. 19—The President appoints ex-Secretary of the Army Kenneth Royall and West Point's former football coach Earl H. Blaik as a 2-man committee to encourage communication between Negro and white leaders in Birmingham.

Sept. 23—In Washington, the Construction Industry Joint Conference's equal employment opportunity committee agrees on detailed guidelines to eliminate racial discrimination for local joint apprenticeship committees. The conference is composed of management and union representatives.

President Kennedy says that with the help of the committee he has appointed, local leaders in Birmingham can solve their racial problems.

A federal grand jury indicts 8 white men belonging to the National States Rights party for interference with school integration in Birmingham.

Sept. 24—Cleve McDowell, the University of Mississippi's only Negro student, is expelled for carrying a pistol on the campus.

Sept. 25—Two bombs explode in a Negro neighborhood in Birmingham, damaging 8 homes and an automobile. No-one is injured.

Sept. 26—Martin Luther King and the Southern Christian Leadership Conference support a plan for a nationwide protest boycott of gift purchases this Christmas.

Sept. 30—The Commission on Civil Rights asks reforms including voting reforms, to end racial discrimination.

Two white men are arrested in Birmingham in connection with the bombing of a Birmingham church on September 15.

VATICAN, THE

Sept. 14—Pope Paul VI, in a letter to Eugene Cardinal Tisserant (deacon of the College

of Cardinals) declares that qualified Catholic laymen will be permitted to attend and participate in the second session of Vatican II.

Sept. 21—Pope Paul VI announces his willingness to share responsibility on some questions "of ecclesiastical government" with the "representatives of the episcopacy, and particularly bishops at head of dioceses."

Sept. 29—Pope Paul VI opens the second session of Vatican II.

VENEZUELA

Sept. 20—An \$85 million loan for electric power development in Venezuela is granted by the International Bank for Reconstruction and Finance.

VIETNAM, SOUTH

(See also *U.S. Foreign Policy*.)

Sept. 5—The U.S. State Department announces that restrictions on travel to Vietnam by U.S. officials have been imposed and that U.S. tourists will be discouraged from visiting.

President Ngo Dinh Diem declares that he is responsible for making all government decisions.

Ngo Dinh Nhu, Diem's brother and head of the secret police, states that he and Mrs. Nhu "do not want to make politics a career."

Sept. 7—High school students demonstrate against the Diem government and Mr. and Mrs. Ngo Dinh Nhu; police and special forces arrest some 800 students.

Sept. 8—It is reported that the U.S. Central Intelligence Agency is continuing monthly payments of \$250,000 to support special forces units.

Sept. 9—Some 1,000 high school students are arrested for participating in an anti-government demonstration.

Sept. 11—It is reported that Communist forces have attacked Cainuoc and partly overrun Damdoi, district capitals in An Xuyen Province; government troops were airlifted yesterday into the towns and easily reoccupied them. Most of the Viet Cong rebels had left.

It is rumored by unnamed U.S. officials in Washington that U.S. Ambassador Henry Cabot Lodge has advised President Diem that the U.S. seriously desires (but not demands) the removal of Ngo Dinh Nhu. Nhu is associated with the repressive attacks on Buddhist pagodas on August 21.

Mrs. Nhu declares that the Vietnam government will try to satisfy President Kennedy's wish for a change in government personnel, "if we can."

Sept. 15—*Pravda* (Soviet Communist party newspaper) publishes an article demanding that U.S. troops in Vietnam be withdrawn.

Sept. 16—The South Vietnam government removes curfew and censorship restrictions, and ends martial law.

Sept. 22—The Vietnamese government announces that a third army division will be sent into the Mekong Delta, to meet an intensified Viet Cong offensive.

Sept. 24—U.S. Secretary of Defense Robert S. McNamara and General Maxwell D. Taylor arrive in Saigon. McNamara and Taylor have been named by President Kennedy as a 2-man "military mission" to review the military situation between the Viet Cong and the government.

YEMEN

Sept. 4—U.N. Secretary General U Thant sums up his first report to the Security Council on the U.N. mission in Yemen; U Thant states that the U.N. has failed to restore peace to the country, where civil war broke out one year ago this month.

YUGOSLAVIA

Sept. 1—Visiting Soviet Premier Nikita Khrushchev tours a chemical plant.

Sept. 3—Khrushchev leaves for Moscow after a 15-day visit. Upon departing, Khrushchev states that "the move toward Socialism" is "becoming ever more varied and all-encompassing." A government spokesman discloses that Yugoslavia will receive "associate status" in the Soviet Bloc's Council for Mutual Economic Assistance (Comecon).

Sept. 19—President Tito is honored at a dinner in Brasilia by Brazilian President João Goulart.

Sept. 20—Tito tells Goulart of his talks with Khrushchev. Tito declares that the pressing issue of the times is peace.

Sept. 23—Tito arrives in Chile.

Sept. 28—Tito arrives in Bolivia.

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